COURSE GUIDE

ENT 811
E – BUSINESS & EVENT MANAGEMENT

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1.0 INTRODUCTION

The course *E-Business & Event Management* is a core course, which carries two (2) credit units. It is prepared and made available to all Postgraduate students in Entrepreneurship Programme, in the Faculty of Management Sciences, Department of Entrepreneurial Studies. This course material is useful in your academic pursuit as well as in your workplace as managers and administrators.

2.0 WHAT YOU WILL LEARN IN THIS COURSE

The course is made up of Eighteen (18) units, covering areas such as;

- The concept and definitions
- an overview of Internet, mobile telecommunication and event management
- importance of e-business and website design
- Internet advertisements, online sales and E-payments
- achieving competitive advantages using E-adverts
- ATM, debit and credit cards
- Event Project Management
- Event Human Resource
- Event Finance
- Event Marketing
- Event and the media

The Course Guide is meant to provide you with the necessary information about the course, the nature of the materials you will be using and how to make the best use of them towards ensuring adequate success in your programme as well as the practice of E-business and Events management in the society. Also included in this course guide is information on how to make use of your time and information on how to tackle the tutor-marked assignment (TMA). There will be tutorial sessions during which your facilitator will take you through your difficult areas and at the same time have meaningful interaction with your fellow learners.

3.0 COURSE CONTENTS

The course consists of:

- Internet, Mobile Telecommunication, Overview of E-Business and Website Design
- Overview of Internet Advertisement, Online Shopping and E-Payments
- Introduction to E-Business Security, Business Security Challenges, Network Security and Management, Copyright Law and Electronic Access to Information and Internet Firewall and Fraud Prevention
- Event Project Management, Event Human Resource, Event Finance
- Event Marketing, Event and the media

4.0 COURSE AIMS

The main aim of this course is to arm you with adequate information on the concept and nature of E-Business and Events Management, its components and its roles in businesses and the society. The course also aims at making you have a greater understanding of the fundamentals of marketing, business security challenges, copyright law, fraud prevention and the role of E-Business and events management in the society.

5.0 COURSE OBJECTIVES

After completing this course, you should be able to;

- Explain Internet, Mobile Telecommunication, Overview of E-Business and Website Design
- Write an Overview of Internet Advertisement, Online Shopping and E-Payments
- Introduce E-Business Security, Business Security Challenges, Network Security and Management, Copyright Law and Electronic Access To Information and Internet Firewall and Fraud Prevention
- Explain Event Project Management, Event Human Resource, Event Finance
- Explain Event Marketing, Event and the media

6.0 COURSE MATERIALS

Major components of the course are;

- Course Guide
- Study Units
- Textbooks
- Assignment Guide

7.0 STUDY UNITS

There are four modules of 18 units in this course, which should be studied carefully.

Module 1: Overview of the Internet

Unit 1: Internet
Unit 2: Mobile Telecommunication
Unit 3: Overview of E-Business
Unit 4: Website Design

Module 2: Internet Advertisement

Unit 1: Overview of Internet Advertisement
Unit 2: Online Shopping
Unit 3: E-Payments

Module 3: E-Business Security

Unit 1: Introduction to E-Business Security
Unit 2: Business Security Challenges
Unit 3: Network Security and Management
Unit 4: Copyright Law and Electronic Access to Information
Unit 5: Internet Firewall and Fraud Prevention

Module 4: Overview of Event Management

Unit 1: Introduction to Event Management
Unit 2: Event Project Management
Unit 3: Event Human Resource

Unit 4: Event Finance
Unit 5: Event Marketing
Unit 6: Event and the Media

8.0 ASSIGNMENT

There are many assignments in this course, and you are expected to do all of them by following the schedule prescribed for them in terms of when to attempt them and submit them for grading.

9.0 TUTOR-MARKED ASSIGNMENTS (TMAS)

You are expected to submit all the TMAs for grading on or before the stated deadline. If for any reason you cannot complete your assignment on time, contact the authority using the appropriate channels, to discuss the possibility of extension. Extension may not be granted after the deadline, unless on exceptional cases. The TMAs usually constitute 30% of the total score for the course.

10.0 FINAL EXAMINATION AND GRADING

At the end of the course, you will write the final examination. It will attract the remaining 70%. This makes the total final score to be 100%.

11.0 CONCLUSION

This course, E-Business and Events Management (ENT 811) exposes you to issues and components involved in E-business and Events Management, its roles in businesses and the global market. On the successful completion of the course, you will have been armed with materials, expertise and skills necessary for the use of E-Business and Events Management and how to overcome the security challenges in the marketspace.

MAIN CONTENT

MODULE 1: OVERVIEW OF THE INTERNET

Unit 1: Internet
Unit 2: Mobile Telecommunication
Unit 3: Overview of E-Business
Unit 4: Website Design

UNIT 1: INTERNET

CONTENTS

1.0 INTRODUCTION

The Internet is a **global network** of billions of computers and other electronic devices. With the Internet, it's possible to access almost any information, communicate with anyone else in the world, and do much more. You can do all of this by connecting a computer to the Internet, which is also called **going online.** When someone says, a computer is online, it's just another way of saying it's connected to the Internet. It's important to realize that the Internet is a global network of **physical cables**, which can include copper telephone wires, TV cables, and fiber optic cables. Even wireless connections like Wi-Fi and 3G/4G rely on these physical cables to access the Internet. When you visit a website, your computer sends a request over these wires to a **server**. A server is where websites are stored, and it works a lot like your computer's hard drive. Once the request arrives, the server retrieves the website and sends the correct data back to your computer. What's amazing is that this all happens in just a few seconds.

This course has been designed, mainly, to develop your awareness of the E-business concept. It is assumed that such knowledge about E-business concept and models will not only improve your competences but will also educate you in how to start and run an E-business. The first unit focuses on the idea of the Internet and its effect on businesses.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Understand the concept of the Internet
- Describe the relationship between the internet and a business
- Know the importance of the Internet in the society

3.0 MAIN CONTENT

3.1 Meaning of Internet

The Internet has revolutionized the computer and communications world like nothing before. The invention of the telegraph, telephone, radio, and computer set the stage for this unprecedented integration of capabilities. The Internet is at once a world-wide broadcasting capability, a mechanism for information dissemination, and a medium for collaboration and interaction between individuals and their computers without regard for geographic location. The Internet represents one of the most successful examples of the benefits of sustained investment and commitment to research and development of information infrastructure. Beginning with the early research in packet switching, the government, industry and academia have been partners in evolving and deploying this exciting new technology. Today, terms like "bleiner@computer.org" and "http://www.acm.org" trip lightly off the tongue of the random person on the street.

The Internet today is a widespread information infrastructure, the initial prototype of what is often called the National (or Global or Galactic) Information Infrastructure. Its history is complex and involves many aspects - technological, organizational, and community. And its influence reaches not only to the technical fields of computer communications but throughout society as we move toward increasing use of online tools to accomplish electronic commerce, information acquisition, and community operations. (Leiner et al, 2017)

The Internet works because open standards allow every network to connect to every other network. This is what makes it possible for anyone to create content, offer services, and sell products without requiring permission from a central authority. It levels the playing field for everyone and it’s the reason why we have a rich diversity of applications and services that many of us enjoy today.

The Internet is a network of networks that needs to operate around the world as if it were one.

Like policy, the technical coordination of the Internet has common characteristics:

- Open,
- Independent,
- Run by a non-profit membership organizations that work together to meet the needs everyone. (Peterson and Welch, 2003)

This self-regulation has been the key to the successful growth of the Internet and is flexible enough to adapt to changing future needs.

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The overall responsibility for managing Internet Protocol address or domain names at upper levels is vested in the Internet Assigned Numbers Authority (IANA), which delegates the actual administration of most functions to other bodies. At global regional levels, the principal bodies providing allocation and registration services that support the operation of the Internet globally are:

- Réseaux IP Européens Network Coordination Centre
- American Registry for Internet Numbers
- Asia Pacific Network Information Centre
- Latin American and Caribbean IP address Regional Registry
- African Regional Registry for Internet Number Resources

Internet operations are coordinated worldwide through the Internet Engineering Planning Group (IEPG), an Internet operational group intended to assist Internet Service Providers to interoperate within the Global Internet. At global regional levels, bodies active in coordinating operations include the:

- American Registry for Internet Numbers; Manages the Internet numbering resources for North America, a portion of the Caribbean, and sub-equatorial Africa.
- Asia Pacific Networking Group (APOPs); Promotes the Internet and the coordination of network inter-connectivity in the Asia Pacific Region. (Peterson and Welch, 2003).

Internet network security is significantly facilitated by a number of Computer Emergency Response Teams (CERTs) in eight countries and within a number of service provider operations and private networks. They were formed to continually monitor the network for security incidents, serve as a repository for information about such incidents, and develop responsive advisories.

3.2 Internet as a Business Driver

The Internet is said to be both over-hyped and undervalued**.** It has the capacity to change everything—the way we work, the way we learn and play, even, maybe or the way we sleep. What is more, it is doing so at far greater speed than the other great disruptive technologies of the 20th century, such as electricity, the telephone and the car.

While the media have concentrated on just a few aspects of the web—the glamorous consumer side of content and shopping on the one hand, and the extremist rantings on the other— something much more important is happening behind the scenes: e-business. The Internet is turning business upside down and inside out. It is fundamentally changing the way companies operate, whether in high-tech or metal-bashing. This goes far beyond buying and selling over the Internet, or e-commerce, and deep into the processes and culture of an enterprise.

Some companies are using the Internet to make direct connections with their customers for the first time. Others are using secure Internet connections to intensify relations with some of their trading partners, and using the Internet's reach and ubiquity to request quotes or sell off perishable stocks of goods or services by auction. Entirely new companies and business models are emerging in industries ranging from chemicals to road haulage to bring together buyers and sellers in super-efficient new electronic marketplaces. The Internet is helping companies to lower costs dramatically across their supply and demand chains, take their customer service into a different league, enter new markets, create additional revenue streams and redefine their business relationships.

Supply chain management is also being made more efficient and firms can significantly reduce inventory costs. For example, an American bank Goldman Sachs, has estimated that in the electronics components industry these factors have already contributed to procurement savings of up to 40%. As the Internet contributes to the lowering of operating costs, Goldman Sachs estimates business to business e-commerce could cause a potential increase in the level

of output by an average of 5% in developed nations' economies over the next 10 years. However, a possible counter argument might be made that the Internet offers even greater potential for cost savings and productivity gains in more tightly regulated economies where rigid labour and/or inefficient capital markets exist. (Allen, 2000).

It is also possible to state that emerging economies could be prime beneficiaries of e-commerce. As the Internet reduces transaction costs and the economies of scale possible through vertical integration, there could be a decline in the optimal size of the firms.

3.3 Relationship between internet and business and the impact

There is no doubt that the Internet - constituting an easy-to-access, world- wide network - has already had a significant effect on the conduct of international business and that this impact, despite the recent downturn in Internet-related businesses, is likely to continue, changing many aspects of international business in the future, although not necessarily in ways, and at the speed, that might have been expected looking ahead from the middle of the boom. Even in the boom, it was becoming clear that international expansion through the Internet posed many problems that did not have simple 'virtual solutions': for example, distributor relations could be seriously impaired by moves to bypass distributors in favor of direct dealing via the Internet; and Internet-based international retailers were already facing difficulties in expanding operations without establishing an old- style presence in foreign markets (Petersen et al, 2002) The electronic linking together of individuals, institutions, and companies in a worldwide web has created an unprecedented public data base that heralds the ultimate realization of the information.

Peterson and Welch (2003) carried out a study to see how the Internet impacts a firms' international operations and expansion. The authors focused on aspects such as patterns of internalization, mode effects, distributor relations and the role of language. Furthermore, they discussed the effects of the Internet on the digitization of products, importance of intellectual property right regimes for patterns of international expansion and several management issues associated with the increasing use of the Internet.

Figure 1 was used by the authors to consider the various impacts of the Internet, it presents two sides of a firm's internalization; its internalization pattern and its internationalization capacity.

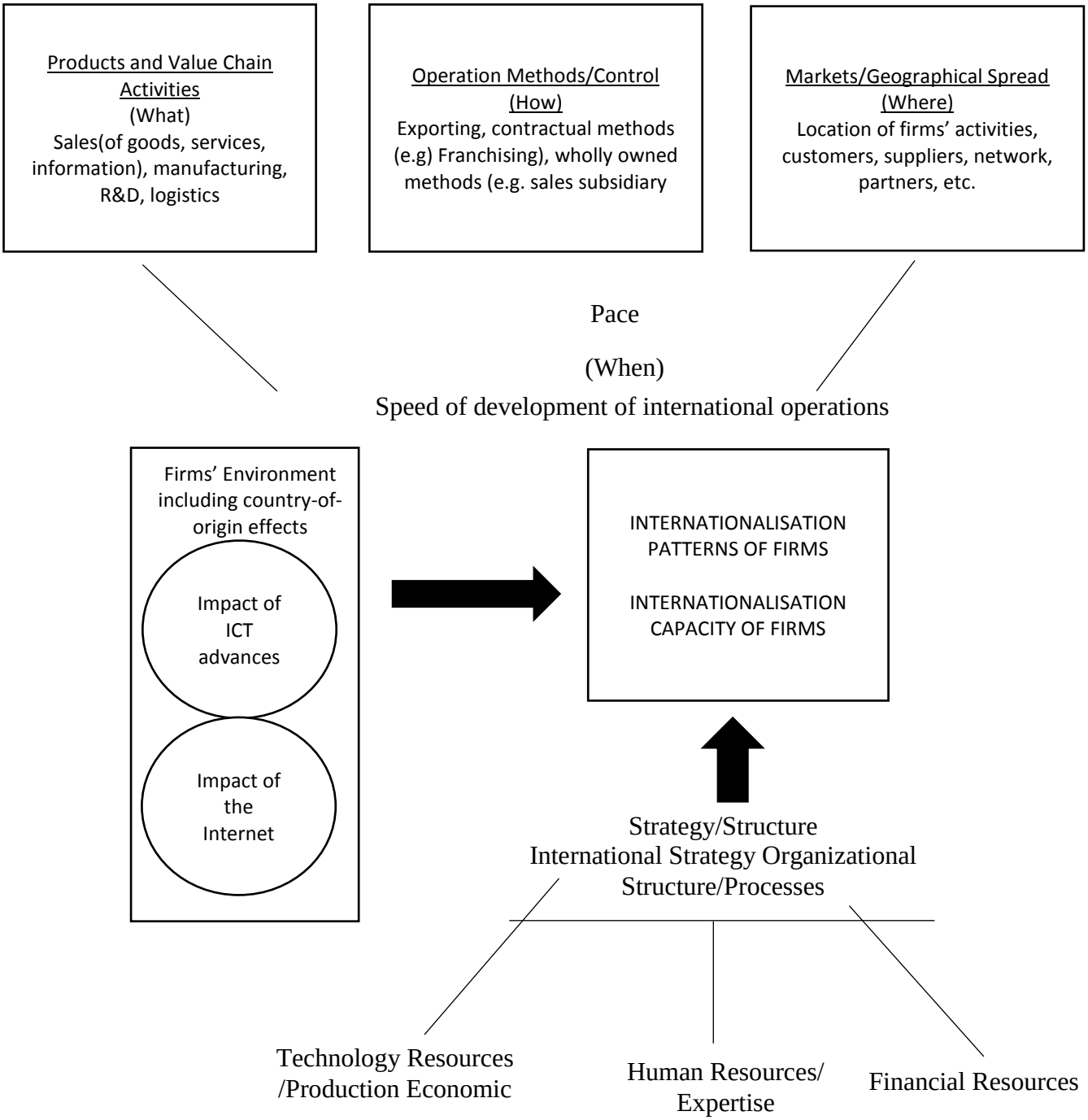

Figure 1; Various Dimension of Firms' Internationalization (Adapted from Welch and Luostarinen, 1988)

A firm's internationalization pattern refers to the different dimensions of the activities performed outside the home country – the What? How? Where? And When? Questions. The internalization capacity of a firm refers to a company's preconditions for involving itself successfully in international activities and the motivation of the company's decision makers to operate internationally. At a basic level a firm's internationalization capacity is shown as being composed of its resource base (technological, human and financial) that is a condition for successful completion of international business ventures. In addition, the internationalization strategy and organisational structure and processes of the firm are part of a firm's internationalization capacity.

3.2.1 Effect of Internet on Firms' Internationalization Capacity;

1. Technology/Production Economies resources

On the demand side, it is apparent that I&CT advances have provided a strong impetus for firms to become involved in international business operations - along with the fact that the Internet has greatly enhanced firms' ability to spot international business opportunities. On the supply side, internationalization implications of I&CT advances are less unidirectional. As far as technology and production economies are concerned the impact of I&CT advances on internationalization differs significantly between producers of 'traditional' physical goods and producers of digital information goods. Digital information goods (henceforward referred to as "e-products") typically are characterized by high fixed costs and negligible marginal costs, so that after having incurred up-front investment costs, the producer has a strong incentive to offer the e-product to as many customers as possible.

Thus, the cost structure of e-products encourages the producer to achieve global scale economies. Moreover, e-products often are subject to "network externalities", by which the utility that the individual customer derives from the e-product increases as the total number of other users increases (Shapiro/Varían 1999). Together, scale economies and network externalities provide a strong incentive for e-product providers to expand beyond the home market.

In contrast, it could be argued that I&CT advances in general have diminished the motivation for producers of physical/non-digitized goods to expand internationally. Because of information technology development, many producers have digitized their manufacturing processes to enhance precision and save manual work. As an important side-effect, the digitization of production processes has also reduced the costs of switching from one line of manufacturing to another, thereby enabling more flexible production with a lower minimum efficient scale of operations (Westbrook/Williamson 1993, Halliburton/Jones 1994).

Through its influence on production economies, digitization of production processes tends to decrease some firms' motivation to internationalize, whereas the digitization of products is likely to increase firms' inclination to go international. However, the distinction between providers of physical goods and e-products is blurred. Today, few firms are purely physical good providers in as much as auxiliary services are attached to most goods, and in recent times many of these services must to a large extent been digitized (e.g. after-sales services offered through the producer's website). As this digitization of services proceeds, firms' incentive to internationalize should grow correspondingly.

If we look at how the Internet affects the interplay between firms' production economies and internationalization economies of scope, rather than of scale, the Internet has enhanced the possibilities of finding potential foreign partners in possession of complementary assets with which a firm may share production facilities and technology. One may suspect the realization of scope of economies via the Internet to be more important to small and medium-sized firms than to large, multinational firms. The proliferation of portals on the Internet provides evidence about firms' sharing of (scarce) resources. This uses the incumbent portal firms to serve the needs of the individual customer in a more comprehensive way than individual entities can do single-handedly. Apparently, digitization of goods and services together with the improved inter-firm communication opportunities offered by the Internet have changed production economies in ways that give firms a strong impetus to internationalize.

2. Human Resources

The Internet has had important effects on the way in which people are managed within international companies. The ability of companies to develop global operations increasingly via the Internet depends on staff being able to initiate and carry through a range of new activities and deal with a variety of new technologies. This will place major demands on the human resources function to find the appropriate staff, either inside or outside the organisation. This is probably the most demanding aspect of global e-commerce, although the emergence of international call centres has demonstrated that staff can be trained to undertake a range of functions, and communicate with customers in a variety of languages, and even dialects, in a relatively impersonal international environment entry. The link between e-servicing and more personalized approaches to foreign customers, therefore, may depend on some individuals who can move easily between these different forms of customer servicing staff. Companies using the Internet in the international arena are only just coming to terms with the demands and possibilities of the new Internet-driven environment for staffing and training issues. While the Internet itself is likely to alleviate some of these demands, such as via e-learning, it cannot be viewed as a 'cure-all' in international operations. Recent research in Denmark (see article by Welch, Worm and Fenwick (2003) in this issue) illustrates this in respect to the growth of so-called virtual assignments (i.e. managing a foreign staff activity via the Internet rather than in-person). Their use has been supplemented by a rise in short term assignments. Ultimately, there would appear to be some scope for a reduction in the need for staff movement internationally. ICT advances have already improved conditions for expatriation and short term assignments by making it much easier for the expatriate and his/her family to keep in contact with their networks back home. With the Internet, however, conditions for virtual assignments have improved significantly as well.

3. Financial Resources

ICT advances in general have been important drivers of the convergence costs of capital of firms during the last decade. Because of this process of transition from independent national financial markets to a more integrated, globalized market international firms have, all else being equal, lost competitive advantage vis-domestic firms operating in what previously may have been high-cost capital markets. The creation of transparency across markets, ICT advances, and the Internet has reduce the disadvantage of foreignness in terms of being unknown to local stores. If the Internet has the effect of increasing the pace of internationalization - for example, opening a wider range of foreign markets that can be served, the ability to finance expansion may become a critical issue, particularly for new Internet-related ventures in the post "Internet bubble" world. The Internet should facilitate greater transparency about financing options on an international basis, thereby adding to pressure for lowering the cost of capital across countries. This could be an important consideration for Internet-related new ventures given the variability of markets for new venture finance.

4. International Strategy/Organizational Structure and Processes

Whereas I&CT advances have supported firms' strategies of multinationalism and transnationality (Bartlett/Ghoshal 2000), the advent of the Internet seems to have placed pressure on international companies for increased global integration and coordination (Roche 2000). The expectation at the height of the Internet boom was that international companies would experience a stronger need for global standardization because of increased transparency across national markets (Roche 2000). This, in turn, would force international firms toward stronger central co- ordination and control mechanisms, involving closer

integration of their dispersed activities. As an example of Internet-induced transparency, pricing policies in different national markets would need to be brought more closely into line (Roche 2000). Inevitably, such a change would force a whole range of adjustments throughout the international company in areas such as purchasing, supply chain management, and marketing programmes. As a reflection of this move towards centralization, some international companies introduced websites for the corporation and for international operating companies in non-English speaking countries, such as Denmark, the website would normally be in English. The centralization bias of the Internet has been reinforced by the perceived strategic importance of online sales by international companies so that the direction and control of developments have been driven by headquarters - it has been being too important to leave to the various subsidiaries. This has been applied to testing in the marketplace of online sales of existing as well as new product.

3.4 Importance of internet in the society

The Internet is important to the society as it adds another resource to enhance businesses, education and entertainment. Many people in today's generation are relying in the internet to do a lot of different tasks. In fact, wherever you go these days, you can see people holding some sort of gadgets and using the internet to play games or search things that they want. But of course, the internet is not just about entertainment. It's also useful in many other things as well.

Today, many students are using the internet to do research and complete their assignments. Since the internet is full of information, most students use this as a source of education. In fact, there are now even online programs and courses available, which people can easily access to study and learn other things even while they're at the comfort of their homes.

Years ago, if you wanted to find something out, you would have to run to a public library and look through a pile of books, which is very tiring and time-consuming. But now, with just a few clicks of your mouse, you can already get any information you need. Years ago, when you also wanted to buy something, such as food, shoes, or any items, you would go to a shop or restaurant to get that thing you need. But now, you can easily Google the product you want and have it delivered directly to your door! In fact, you can now even pay your bills and file your taxes online.

Hiring people, you need is also made much easier with the use of internet. Internet is also very important when it comes to communication. Before, when people wanted to speak with someone who lives in a distant place, they would have to reach a phone and make a phone call. If they don't have any access to a phone, they would write a letter, which usually takes a few days to arrive. But now, there are emails and social media, wherein you can instantly send messages to your loved ones. You can even make a video call and see the person even if he or she is at the other side of the world. This advantage also benefits other industries as well, particularly the entrepreneurs and business owners. If before, business owners would have to travel overseas to speak to a client, now they can make negotiations even if they are at the comfort of their own office.

4.0 CONCLUSION

At the end of this unit, we have been able to discuss the concept of the Internet, its use as a business driver and its effect on businesses. We have also been able to point out the different ways that it can affect the operations of a business on an international and local scale. Lastly, we were able to discuss its importance in today's society.

5.0 SUMMARY

- Technological advancement is always a great weapon to the mankind to explore unexplored areas of the universe.
- Understanding the importance of Internet technology has helped many companies gain larger markets, audiences and create services that reach out to customers.
- The technology also helped organizations to enhance the level of communication with employees and customers.
- It provided a medium to publish information or content regarding the product or services that reaches out to millions of people across the globe.
- Customer support and service has been enhanced to a whole new level. Conducting online workshops, conferences, interviews, and data management has helped an organization to reach out for customer's requirement. Internet has helped increased credibility for the work that is done.
- Technology has also increased exposure to different areas of the market, increase in quantity and quality, increase in sales, reduction in costs, increase in access to information, increase in supply chain, reduction in load on staff and reduction in use of products that are harmful to environment.
- Internet technology has completely changed how we communicate, respond or entertain ourselves. Its importance in everyday life is never ending and plays a great role in enhancement of quality of life.
- There has been a great increase in benefits and reduction in time. Internet is a powerful medium that has changed how we live and will continue to change in the future. We are sure to see further changes to the technology.
- Internet technology is sure to see a sea change in the coming years that will have tremendous effect on personal and professional life.

6.0 TUTOR-MARKED ASSIGNMENT

i. Highlight the effect of Internet on Firms' Internationalization Capacity

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UNIT 2: MOBILE TELECOMMUNICATION

CONTENTS

1.0 INTRODUCTION

In this unit, we are going to discuss the nature of mobile communication and telecommunication. We will also discuss the relationship between mobile and telecommunication and how mobile telecommunication is related to E-business.

2.0 OBJECTIVES

At the end of this unit, students will be able to;

- Understand the concept of Mobile Communication and Telecommunication
- Explain the relationship between mobile communication and telecommunication
- Discuss how e-businesses can use mobile telecommunication for all their operations

3.0 MAIN CONTENT

3.1 What is Mobile Communication?

Mobile communication is basically talking, texting or sending data or image files over a wireless network. An example of mobile communication is sending an email from a computer or a smart phone using a wireless network at home or in your local coffee shop.
The system used for mobile communication to work is called GSM (Global System for Mobile Communication). This is any radio telephone capable of operating while moving at any speed, battery operated and small enough to be carried around by a person. The system has different facilities. The different types of mobile communication systems are:

- **Two-way radio:** Mobile two-way radios are one-to-many communication systems that operate in half-duplex mode, i.e., push to talk. The most common among this type is citizen band (CB) radio, which uses amplitude modulation (AM). It operates in the frequency range of 26-27.1 MHz having 40 channels of 10 kHz. It is a non-commercial service that uses a press-to-talk switch. It can be amplitude modulated having double-sideband suppressed carrier or single-sideband suppressed carrier.

- **Public Land radio:** is a two-way FM radio system, used in police, fire and municipal agencies. It is limited to small geographical areas.

- **Mobile phone:** Mobile telephones offer full-duplex transmission. These are one-to-one systems that permit two simultaneous transmissions. For privacy, each mobile unit carries a unique telephone number.

- **Amateur (HAM) radio:** Amateur (HAM) radios cover a broad frequency band from 1.8 MHz to above 30 MHz These include continuous wave (CW), AM, FM, radio tele-printer, HF slow-scan still picture TV, VHF or UHF slow-scan or fast-scan TV, facsimile, frequency-shift keying and amplitude-shift keying. (Linton, 2017)

3.2 What is telecommunication?

Telecommunication is basically the transmission of signs, signals, messages, words, writings, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems. It occurs when the exchange of information between communication participants includes the use of technology. The technology used to communicate are called Telecommunication networks.

A telecommunication network is a collection of terminal nodes, links are connected to enable telecommunication between the terminals. The transmission links connect the nodes together. Each terminal in the network usually has a unique address so messages or connections can be routed to the correct recipients. The collection of addressed in the network is called the address space. There are different types of telecommunication networks. They are as follows:

- Computer Networks; ARPANET, Ethernet, Internet, Wireless networks.
- Public switched telephone networks (PSTN)
- Packed switched networks
- Radio networks
- Television networks

3.3 Relationship between mobile and Telecommunication

Mobile communication technologies have enabled a seamless interaction between people and the global network. Businesses can now use these technologies to effectively run their operations and connect with their customers effortlessly from far around the globe. The mobile telecommunications industry has grown rapidly over the last three decades representing one of the most intriguing stories of technology diffusion. Since 2002 mobile subscribers have exceeded the number of fixed lines globally. The process to achieve what fixed phones have struggled to do for more than 120 years took less than a fifth of the time for mobile networks.

In fact, mobile telecommunications deeply affect the way users interact and have significant externalities for the economic activities for which they are used. There is widespread anecdotal evidence about the surge of new companies and business models with worldwide brands linked to the sector (e.g. Nokia, Vodafone) and the appearance of new modes of communication such as 'personal reachability'. Because of the lower access cost to the user compared to wired telecommunications, linked with the solution of the problem of creditworthiness of customers through prepaid cards, the technology could reach completely new segments of the population particularly in developing countries.

Mobile communication technology includes devices such as cellular phones, Wi-Fi enables hand-held devices and wireless laptops that can connect through Wi-Fi or with a cellular connection. It is important to understand the advantages and disadvantages of mobile communication technology for a business:

Advantages of mobile communication technology

- Sharing Information; the Internet has helped broaden communication channels by connecting people all over the world through a single computer network. with hand-held communications devices, business professionals can instantly share information with clients and vendors regardless of where they are.

- Less Down Time; because many business professionals are connected to clients and business associates through cellular devices, there is no down time anymore. Business managers, small business owners and professionals are always on call to clients because of the ability of clients to reach business professionals through cellular phone calls, texting or emails. The same mobile communication tools that can make a business easier, can also make business a burden when they take away time off.

Disadvantages of mobile communication technology

- Cybercrime; Cybercriminals exploit communication technology to steal financial information and perpetrate identity theft. They do this by installing illegal spyware on peoples' computers without their consent, or by exploiting security vulnerabilities on online merchants' websites to steal customers' bank and credit card details.

3.4 How mobile telecommunication is important to an E-business

Telecommunication is an important tool for businesses. It enables companies to communicate effectively with customers and deliver high standards of customer service. Telecommunication is also a key element in teamwork, allowing employees to collaborate easily from wherever they are located. Mobile telecommunication gives companies the opportunity to introduce more flexible working by allowing employees to work efficiently from home. The introduction of smartphones gives employees new levels of productivity and capability on the move.

Customer Service: The telephone remains an important element of a customer service strategy. By using call management techniques, you can handle incoming calls quickly, even when lines are busy, and you can route calls to employees with the right skills to deal with the inquiry. Alternatively, you can offer callers the ability to choose from a range of options, such as "Press '1' for Accounts," or Press '2' for Sales." You can also use the telephone to contact customers proactively, following a service call, for example, or after a purchase.

Collaboration: Collaboration between different departments can help your company improve performance in projects such as new product development, customer relationship management and quality initiatives. According to consultancy McKinsey & Company, (Linton, 2017) collaborative, complex problem solving is the essence of the work of many employees. Telecommunication helps your project teams maintain momentum and make important decisions, even when all members cannot attend meetings. Absent members can join a teleconference or a Web conference if they have a smartphone or computer with Internet connectivity.

Remote: If your employees in sales, technical and service teams spend a large portion of their working days with colleagues, visiting customers, working at home or traveling, mobile telecommunication can help them maintain essential contact and work productively on the move. The Yankee Group Enterprise Mobility Survey found that 40 percent of respondents regarded more than a third of employees as remote or mobile workers.

Smartphones: The increasing sophistication of smartphones makes mobile telecommunication an integral part of a wider communication capability. Employees can use the same telecommunication device to access data, send and receive emails, work on documents or participate in multimedia conferences. According to the Cisco Visual Networking Index Study, data-intensive applications are the main component of the growth in communication network traffic.

4.0 CONCLUSION

- Mobile communication is basically talking, texting or sending data or image files over a wireless network. An example of mobile communication is sending an email from a computer or a smart phone using a wireless network at home or in your local coffee shop.
- The types of mobile communication are; Two-way radio, Public Land radio, Mobile phone and Amateur (HAM) radio.
- Telecommunication is basically the transmission of signs, signals, messages, words, writings, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems.
- Mobile telecommunications deeply affect the way users interact and have significant externalities for the economic activities for which they are used.

5.0 SUMMARY

At the end of this unit we discussed the concept of mobile communication and telecommunication. We highlighted the relationship between mobile and telecommunication and discussed how mobile telecommunications is related to E-business.

6.0 TUTOR-MARKED ASSIGNMENT

i. State the benefits of telecommunication to an e-business.

7.0 REFERENCES/FURTHER READING

Linton. I. (2017) *The Benefits of Using Telecommunication in Businesses*. Chron, Retrieved from http://smallbusiness.chron.com/benefits-using-telecommunication-businesses-18676.html.

UNIT 3: OVERVIEW OF E-BUSINESS

CONTENTS

1.0 INTRODUCTION

In the previous units, we discussed the concept of the Internet and Mobile Telecommunication. We discussed the ways in which the Internet and Mobile Telecommunication affects businesses and consumers alike. In this unit, we are going to discuss and define what E-business is, the types of E-business and its importance to a traditional business. We will also highlight and briefly discuss the different types of E-business models.

2.0 OBJECTIVES

At the end of this unit, students will be able to;

- Understand the nature of an e-business
- Know its importance and the different types of e-businesses
- Identify and explain the different E-business models

3.0 MAIN CONTENT

3.1 What is E-Business?

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to "any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact."

E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network. Though popular, this definition is not comprehensive enough to capture recent developments in this new and revolutionary business phenomenon. A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals. (Wilson, 2017)

3.2 Three Main Types of E-business

1. **Business to Consumer (B2C):** The most widely recognized form of e-business, B2C is the exchange of information, products or services taking place between a business and a

consumer over the internet. As the internet develops, B2C is continually changing the way consumers acquire information, the way products are compared against one another and the way in which they are purchased. An example of a B2C only site is amazon.com. Ae.com is an example of a B2C site housing a physical location as well.

2. **Business to Business (B2B):** The largest form of e-business in terms of money spent is B2B. Business-to-business allows trading to take place between businesses, using a low-cost sales channel for the sale of goods and services and is responsible for constantly changing corporate buying habits. An example of a B2B site would be a car part company selling parts to a car dealership, another company, rather than directly to consumers.

3. **Business to Government (B2G):** B2G is the online exchange of information and transactions between businesses and government agencies, also known as e-government. B2G allows government agencies and businesses to use electronic means to conduct business and interact with each other over the internet. An example of a B2G site would be one that offers electronic tax filing.

3.3 Importance of E-business

E-business is important for the following reasons:

Costs: Operational costs such as maintenance of inventory and transaction costs have reduced thanks to e-business. Electronic invoicing has increased invoice-processing efficiencies, created transparency in ordering, streamlined payment processing and reduced costs incurred by the purchase of paper invoices. The number of employees has reduced as customers order their products online and pick them up or arrange for them to be delivered for a fee. Search costs for high-quality products and services have been reduced, as customers can easily find them on company websites.

Marketing: Companies using e-business have a wider online presence. They can advertise their products and services either on their websites or by hosting them on other domains. These advertisements have been customized to cater to the individual needs of their customers, enabling them to reach their clients at a more personal level. Companies also find that Internet marketing is cost effective, as they pay Internet advertising agencies only when customers view their page.

Communications: Adoption of e-business has improved communication in the hypermarket industry. The use of email has enabled companies to respond better and faster to customer issues. Improved customer service has nurtured better relations between retail outlets and customers, ensuring that they remain loyal to the outlets. Companies using websites in the hypermarket industry can offer after-sales services to their clients without the need for a physical presence or storefront. Constant communication of improvements in a company's products enhances its brand for customers.

Revenues: Companies that have adopted e-business have a faster product development cycle, enabling them to respond quickly to market needs. They take advantage of being market leaders to increase revenues before their competitors can enter the market. Inventory tracking enables companies to reduce overstocking and understocking, thereby releasing cash needed for maintenance of stock for other purposes, as well ensuring sales aren't lost because products are out of stock.

3.4 E-business Models

An E-business model describes, as a system, how the pieces of a business fit together with emphasis on competition and organizational dynamics. The adoption of a successful e-business model may make it possible to increase competitiveness in the marketplace. New business models have appeared on the markets, modifying the nature of company internal and external business processes. These new forms of conducting business have affected traditional management techniques taught on management courses and no sector has been left untouched. In this new context, it is important to acknowledge the importance of e-business models. They are the new keys to increasing a company's competitiveness in the marketplace by improving its current value added. The following are the different types of e-business models used:

- **Portals:** this is an e-business model that people use as a launching pad to enter the web. This was the first model of the Internet. It is a specially designed website that brings information from diverse sources, like emails, forums and search engines, together in a uniform way. Usually each information source gets its dedicated area on the page for displaying information (a portlet); often, the user can configure which ones to display.

- **E-tailing:** this is a popular model utilized by retail organizations for transactions with other companies. Organizations can act as intermediaries between producers and potential buyers to create added value.

- **Auction:** this plays an intermediary role between buyers and seller. This model of one seller to one broker to many buyers is more concerned with filling a gap in the marketplace than with mere content.

- **Value-chains:** this business model groups together partner companies that consult each other through an organized process in the making of a product with very high added value. The main objective is to maximize the creation of added value through an efficient operational process.

- **Barter:** this model allows goods and services to be exchanged without money. The Internet enables a business owner to barter tangible or intangible products with another company. For example, a company can make its warehouse space profitable by offering another company the possibility of storing its products there temporarily. The second variation of this model is the most virtual. In this case, companies or people with access to this e-business model are members of different associations or companies. This type of site favors shared expertise and knowledge.

- **Buying groups:** this model is a buying group for several business owners, which allows greater negotiating power. The model is especially useful for the smaller business unable to get the benefits of economy of scale. When businesses are joined together into a buying group, the new entity plays the role of intermediary for research and negotiation with suppliers. It can also provide the distribution of product catalogues as well as the management of commercial and financial transactions and the delivery of merchandise.

- **Integration:** this can either be vertical (according to a specific industry or market) or horizontal (according to an organizational function or process). A differentiation strategy is required if the website is to attract and retain new and existing buyers and sellers. (Wilson, 2017).

4.0 CONCLUSION

At the end of this unit, we discussed and defined E-business, the types of E-business and its importance to a traditional business. We also highlighted and briefly discussed the different types of E-business models.

5.0 SUMMARY

- Electronic commerce or e-commerce refers to a wide range of online business activities for products and services.
- There are three main types of E-business; Business to Business, Business to Customer and Business to Government.
- An E-business model describes, as a system, how the pieces of a business fit together with emphasis on competition and organizational dynamics.

6.0 TUTOR-MARKED ASSIGNMENT

i. Identify and discuss the different types of E-business
ii. State 4 types of E-business models and briefly discuss them.

7.0 REFERENCES/FURTHER READINGS

Wilson. S. (2017) Importance of E-Business in the Hypermarket Industry. Chron, Retrieved from http://smallbusiness.chron.com/importance-ebusiness-hypermarket-industry-14714.html.

De Kare-Silver. S. (2000) E-Shock 2000- *The Electronic Shopping Revolution; Strategies for Retailers and Manufacturers,* Macmillan Business, London.

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UNIT 4: WEBSITE DESIGN

CONTENTS

1.0 INTRODUCTION

In the previous unit we the concept and nature of E-business, in this unit, we will now go further and discuss the concept of a website, the different types of websites and the usefulness of websites on businesses.

2.0 OBJECTIVES

At the end of this unit, students will be able to;

- Define and understand the concept of a website
- Identify the different types of websites
- Know the usefulness of websites

3.0 MAIN CONTENT

3.1 Meaning of website

A **website**, or simply a **site**, isa collection of related web pages, including multimedia content, typically identified with a common domain name, and published on at least one web server. A website may be accessible via a public Internet Protocol (IP) network, such as the Internet, or a private local area network (LAN), by referencing a uniform resource locator (URL) that identifies the site.

Websites have many functions and can be used in various fashions; a website can be a personal website, a commercial website for a company, a government website or a non-profit organization website. Websites are typically dedicated to a particular topic or purpose, ranging from entertainment and social networking to providing news and education. All publicly accessible websites collectively constitute the World Wide Web, while private websites, such as a company's website for its employees, and are typically a part of an intranet. (Wilson, 2017)

Web pages, which are the building blocks of websites, are documents, typically composed in plain text interspersed with formatting instructions of Hypertext Markup Language (HTML, XHTML). They may incorporate elements from other websites with suitable markup anchors. Web pages are accessed and transported with the Hypertext Transfer Protocol (HTTP), which may optionally employ encryption (HTTP Secure, HTTPS) to provide security and privacy for the user. The user's application, often a web browser, renders the page content according to its HTML markup instructions onto a display terminal. (Wilson, 2017).

Hyperlinking between web pages conveys to the reader the site structure and guides the navigation of the site, which often starts with a home page containing a directory of the site web content. Some websites require user registration or subscription to access content. Examples of subscription websites include many business sites, news websites, academic journal websites, gaming websites, file-sharing websites, message boards, web-based email, social networking websites, websites providing real-time stock market data, as well as sites providing various other services. As of 2016 users can access websites on a range of devices, including desktop and laptop computers, tablet computers, smartphones and smart TVs. Table 1 is on the different types of websites.

3.2 Table 1: Different types of Websites

TYPES OF WEBSITES		
Type of Website	**Description**	**Examples**
Affiliate	A site, typically few in pages, whose purpose is to sell a third party's product. The seller receives a commission for facilitating the sale.	
Affiliate Agency	Enabled portal that render no only its custom CMS but also syndicated content from other content providers for an agreed fee. There are usually three relationship tiers (see Affiliate Agencies).	Commission Junction, advertisers like eBay, or a consumer like Yahoo!.
Archive site	Used to preserve valuable electronic content threatened with extinction. Two example are: Internet Archive, which since 1996 has preserved billions of old (and new) web pages; and Google Groups, which in early 2005	Internet Archive, Google Groups

	was archivin over messag g 845,000,000 es posted to Usenet news/discussion groups.	
Attack site	A site created specifically to attack visitors' computers on their first visit to a website by downloading a file (usually a trojan horse). These websites rely on unsuspecting users with poor anti-virus protection in their computers.	
Blog (web log)	Sites generally used to post online diaries which may include discussion forums (e.g., Blogger, blogge Xanga). Many rs use blogs like an editorial section of a newspaper to express their ideas on anything ranging from politics to religion to video games to parenting, along with anything in between. Some bloggers are professional bloggers and they are paid to blog about a certain subject, and they are usually found on news sites.	WordPress
Brand-	A site with the purpose of creating an experience of a brand online. These sites usually do not sell anything, but focus on	

building site	building the brand. Brand building sites are most common for low-value, high-volume fast-moving consumer goods (FMCG).	
Celebrity website	A website the information in which revolves a celebrity around or public figure. These sites can beofficial (endorsed by the celebrity) or fan-made (run by a fan or fans of the celebrity without implicit endorsement).	jimcarrey.com
Crowd funding Website	Platform to fund projects by the pre-purchase of products or by asking audience members to make a donation.	Kickstarter
Click-to-donate site	A website allow visito that s the r to donate to charity simply by clicking on a button or answering a question correctly. An advertiser donate th usually s to e	The Hunger Site, Freerice

	charity for each correct answer generated.	
Community site	A site where persons with similar interests communicate with each other, usually by chat or message boards.	Myspace, Facebook, orkut, VK
Content site	A site the business of which is the creation and distribution of original content	wikiHow.com, About.com
Classified ads site	A site publishing classified advertisements	gumtree.com, Craigslist
Corporate website	Used to provide background information about a business, organization, or service.	
Dating website	A site where users can find other single people looking for long-term relationships, dating, short encounters or friendship. Many of them are pay per services, but there are many free or partially free dating sites. Most dating sites in the 2010s have the functionality of social networking websites.	eHarmony, Match.com
Electronic commerce (e-	A site offering goods and services for sale enabling online	Amazon.com

commerce) site	online and transactions for such sales.	
Fake new s website	A site publishin g new fake s stories, intendi ng to deceiv e visitors and profit from advertising.	

Forum website	sit A e where people can hold conversatio th for poste ns in e m of d messages .	Skyscraper City, 4chan
Gallery website	A website designed specifically for use as a gallery; these may be an art gallery or photo gallery and of commercial or non-commercial nature.	
Government site	A website made by the local, state, department or national government of a country. Usually these sites also operate websites that are intended to inform tourists or support tourism.	
Gripe site	A site devoted to the criticism of a person plac corporatio governmen , e, n, t, or institution.	

Gaming website **Gambling website**	A site that lets user play online games such as gambling.	
Humor site	Satirizes, parodies or amuses the audience.	The Onion
Information Site	Most websites fit in this category to some extent but no necessarily have commercial purposes.	Most government, educational and nonprofit institutions have an informational site.
Media-sharing site	A site that enables users to upload and view media such as music, pictures, and videos	YouTube, DeviantArt
Mirror website	A website that is the replication of another website. This type of website is used as a response to spikes in user visitors. Mirror sites are most commonly used to provide multiple sources of the same information, and are of particular value as a way of providing reliable access to large downloads.	
	A short and simple form of	

Microblog site	blogging. Microblogs are limited to certain numbers of characters and works similar to a status update on Facebook.	Twitter
News site	Similar to an information site, but dedicated to dispensing new politics, and commentary.	cnn.com
Personal website	Websites about an individual or a small group (such as a family) that contains information or any content that the individual wishes to include. Such a person website from a celebrity website, which can be very expensive and run by a publicist or agency	
Phishing site	A website created to fraudulently acquire sensitive information, such as passwords and card details, by masquerading as a trustworthy person or business as Security (such Social Administration, PayPal, a bank) in an electronic communication (see Phishing).	
Photo sharing site	A website created to share digital photos with community. (see the online Photo sharing).	Flickr, Instagram, Imgur

p2p/Torrents website	Website that indexs torrent files. This type of website is different from a Bit torrent client which is usually a stand-alone software.	Mininova, The Pirate Bay, IsoHunt
Political site	A site on which people may voice political views, provide political humor, campaign for elections, or provide information about a certain candidate, political party or ideology.	
Question and Answer (Q&A) site	Answer site is a site where people can ask questions & get answers.	Quora, Yahoo! Answers, Stack Exchange Network(including Stack Overflow)
Religious site	A site in which people may advertise a place of worship, or provide inspiration or seek to encourage the faith of a follower of that religion.	
Review site	A site on which people can post reviews for products or services.	Yelp, Rotten Tomatoes
School site	a site on which teachers, students, or administrators can post information about current events at or involving their school. U.S. elementary-high school websites generally use k12 in the URL	

Scraper site	a site which largely duplicates the content of another site without permission, without actually pretending to be that site, in order to capture some of that site's traffic (especially from search engines) and profit from advertising revenue or in other ways.	
Search engine **Site**	A website that indexes material on the Intern or an intranet latel et (and y on traditional media such books as and newspapers) and provides links to information as a response to a query.	Google Search, Bing, GoodSearch, DuckDuckGo, Ecosia
Shock site	Includes images or other material that is intended to be offensive to most viewers	Goatse.cx, rotten.com
Showcase site	Web portals used by an individuals d organisations to showcase things of interest or value	
Social bookmarking	A where users share other site content from the Internet and rate and comment	StumbleUpon, Digg

Site	on the content.	
Social	A site where users could communicate with one another and share media, such	

networking Site	as pictures, videos, music, blogs, etc. with other users. These may include games and web applications.	Facebook, Google+
Social news	A social news website features user-posted stories that are ranked based on popularity. Users can comment on these posts, and these comments may also be ranked. Since their emergence with the birth of web 2.0, these sites are used to link many types of information including news, humor, support, and discussion. Social news sites allegedly facilitate democratic participation on the web.	Reddit, Digg, SlashDot
Warez	A site designed to host or link to materials such as music, movies and software for the user to download.	
Webcomic	A online vario n comic, ranging in us styles and genres unique to the World Wide Web.	*Penny Arcade*, *xkcd*, *Gunnerkrigg Court*
Webmail	A site that provides a webmail service.	Hotmail, Gmail, Yahoo!
Web portal	A site that provides a starting point or a gateway to other resources on the Internet or an intranet.	msn.com, msnbc.com, Yahoo!
Wiki site	A site in which users collaboratively edit	Wikipedia, wikiHow, Wikia

	its content.	
Top100 Sites	A site that create List of the top10 website of particular niche.	
Coupon Sharing Site	A site that share free coupon to the user.	
Comparison Website	A site that compare the particular product or service online. For example, User can compare the Policy Price before taking the Insurance.	
Job Portal	A site that share the current Job Openings with the user.	

Source; Phillips (2003)

3.3 The Usefulness of Websites to a Business

The following are the usefulness of a website to a business:

i. **Your small business will gain credibility:** Today, more and more consumers use the internet to search for the products or services they need. Your small business will gain credibility by having a website. Without one, potential customers will go to your competitors that do. If you already have a website but it is "home-made", having it professionally redesigned will provide your business with a professional image which will inspire even greater confidence. For home-based businesses, this is particularly beneficial since you do not have a store front to promote your products or services.

ii. **A website saves you money:** As a small business owner you probably think you can't afford a professional website, but you can't afford NOT to. Although the cost of designing a website varies, once it's up and running, a website for a small business generally costs under #100 a month and, in some cases, as little as #20. Compared with the cost of a newspaper ad, when you consider the potential market you can reach with a website, it is a very cost effective way to promote your business.

iii. **It will enable you to keep your customers informed:** Think of your website as being your online brochure or catalogue. It is much easier and quicker to update information about your products and services on your website than in print material, making it an effective way of letting your customers know about the arrival of new products, upcoming events, special promotions, or any new services you now offer. Unlike print ads which quickly become outdated, your website can provide current information and news.

iv. **It is always accessible;** A website is available to both your regular and potential customers 24/7/365 providing them with the convenience of reviewing your products and services when your store or office is closed. With today's busy lifestyles, this is a great selling point when making a purchase decision.

v. **A website makes it possible to target a wider market:** Whether you provide products or services, your website will provide an alternative location to sell them. As a retailer, a website (e-Commerce) is a great place to sell your products to a wider market; even services can be made available globally.

vi. **It provides a medium on which to showcase your work:** No matter what type of business you're in, a website is a great place to showcase your work. By including a portfolio or image gallery, as well as testimonials about your work, you can demonstrate what makes your business unique.

vii. **A website saves you time:** Providing information to your customers takes time, whether it's on the phone, face-to-face, in a brochure, or in emails. With an online catalogue you can provide lots of information about your products and services. Once your website is up and running, it is available to your customers indefinitely, saving you time.

viii. **It improves customer service:** Maybe you sell environmentally friendly products and would like to share tips on how to recycle, or perhaps you're an accountant and want to give your clients advice on how to simplify their bookkeeping practices. By including a FAQ page, adding articles or uploading newsletters to answer all your customers' questions you can keep them up-to-date.

4.0 CONCLUSION

- **A website, or** simply a site, is a collection of related web pages, including multimedia content, typically identified with a common domain name, and published on at least one web server.
- A website may be accessible via a public internet Protocol (IP) network, such as the internet, or a private local area network (LAN), by referencing a uniform resource locator (URL) that identifies the site.

5.0 SUMMARY

In this unit, we discussed the nature of a website, the different types of websites and the usefulness of a website to a business.

6.0 TUTOR-MARKED ASSIGNMENT

a) Identify and discuss, four usefulness of a website.

7.0 REFERENCES/FURTHER READING

Wilson. S. (2017) Importance of E-Business in the Hypermarket Industry. Chron, Retrieved from http://smallbusiness.chron.com/importance-ebusiness-hypermarket-industry-14714.html

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MODULE 2: INTERNET ADVERTISEMENT

Unit 1: Overview of Internet Advertisement
Unit 2: Online Shopping
Unit 3: E-payments

UNIT 1: OVERVIEW OF INTERNET ADVERTISEMENT CONTENTS

1.0 INTRODUCTION

In the previous module, we discussed the concept and nature of the Internet, Website design, and E-business as a whole. In this unit we shall examine several strategies for promoting and advertising products and services on the Internet. Owing to the divergent understanding and applications of the Internet in marketing we also have multiples of ad and promotional techniques as seen in this unit of the course.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- Trace the history of web banner
- Explain what is Display Advertising
- Differentiate the various forms of web advertising
- Differentiate contextual and interactive advertising
- Define social media optimization and origin
- Enumerate understand and know the use of digital marketing
- Enumerate e-procurement and its advantages and disadvantages.

3.0 MAIN CONTENT

3.1 Web Banner

A **web banner** or **banner ad** is a form of advertising on the World Wide Web. This form of online advertising entails embedding an advertisement into a web page. It is intended to attract traffic to a website by linking to the website of the advertiser. The advertisement is constructed from an image (GIF, JPEG, PNG), JavaScript program or multimedia object

employing technologies such as Silverlight, Java, Shockwave or Flash, often employing animation or sound to maximize presence. Images are usually in a high-aspect ratio shape (i.e. either wide and short, or tall and narrow) hence the reference to banners. These images are usually placed on web pages that have interesting content, such as a newspaper article or an opinion piece. (Sullivan, 2006).

The web banner is displayed when a web page that references the banner is loaded into a web browser. This event is known as an "impression". When the viewer clicks on the banner, the viewer is directed to the website advertised in the banner. This event is known as a "click through". In many cases, banners are delivered by a central ad server. When the advertiser scans their log files and detects that a web user has visited the advertiser's site from the content site by clicking on the banner ad, the advertiser sends the content provider some small amount of money (usually around five to ten US cents). This payback system is often how the content provider is able to pay for the Internet access to supply the content in the first place. Web banners function the same way as traditional advertisements are intended to function: notifying consumers of the product or service and presenting reasons why the consumer should choose the product in question, although web banners differ in that the results for advertisement campaigns may be monitored real-time and may be targeted to the viewer's interests.

Many web surfers regard these advertisements as highly annoying because they distract from a web page's actual content or waste bandwidth. Of course, the purpose of the banner ad is to attract attention and many advertisers try to get attention to the advert by making them annoying. Without attracting attention it would provide no revenue for the advertiser or for the content provider. Newer web browsers often include options to disable pop-ups or block images from selected websites. Another way of avoiding banners is to use a proxy server that blocks them, such as Privoxy.

3.1.1 History

The first clickable web ad (which later came to be known by the term "banner ad") was sold by Global Network Navigator (GNN) in 1993 to a law firm. GNN was the first commercially supported web publication and one of the very first web sites ever. Hot Wired was the first web site to sell banner ads in large quantities to a wide range of major corporate advertisers. Andrew Anker was Hot Wired's first CEO. Rick Boyce, a former media buyer with San Francisco advertising agency Hal Riney & Partners, spearheaded the sales effort for the company. Hot Wired coined the term "banner ad" and was the first company to provide click through rate reports to its customers. The first web banner sold by Hot Wired was paid for by AT&T, and was put online on October 25, 1994.] Another source also credits Hotwired and October 1994, but has Coors' "Zima" campaign as the first web banner. The hotwired AT&T banner ad and credits can be viewed here. (Kenny and Marshall, 2000)

In May of 1994, an early Internet commercialization pioneer, who mentored Boyce in his transition from traditional to online advertising, first introduced the concept of a clickable/trackable ad. He stated that he believed that only a direct response model – in which the return on investment of individual ads was measured – would prove sustainable over the long run for online advertising. Despite this prediction, banner ads were valued and sold based on the number of impressions they generated. This approach to banner ad sales proved successful and provided the economic foundation for the web industry from the period of 1994 to 2000 until the market for banner ads "crashed" and there was a radical revaluation of their value. The new online advertising model that emerged in the early years of the 21st century, was introduced by GoTo.com (later Overture, then Yahoo and mass marketed by

Google's AdWords program), closely resembled the pioneer's 1994 projection. (Bhargava, 2006).

3.1.2 Standard Sizes

Ad sizes have been standardized to some extent; they are:

i. Rectangular and pop-up ads width by height *(in pixels)*

- Large rectangle 336 by 280
- Medium rectangle 300 by 250
- Square pop-up 250 by 250
- Vertical rectangle 240 by 400
- Rectangle 180 by 150

ii. Banner and button ads

- Leaderboard 728 by 90
- Full banner 468 by 60
- Half banner 234 by 60
- Button 1 120 by 90
- Button 2 120 by 60
- Micro bar 88 by 31
- Micro button 80 by 15
- Vertical banner 120 by 240
- Square button 125 by 125

iii. "Skyscraper" ads

- Skyscraper 120 by 600
- Wide skyscraper 160 by 600
- Half-page 300 by 600

3.2 Display Advertising

Display advertising is a type of advertising that may, and most frequently does, contain graphic information beyond text such as logos, photographs or other pictures, location maps, and similar items. In periodicals, it can appear on the same page with, or a page adjacent to, general editorial content; as opposed to classified advertising, which generally appears in a distinct section and was traditionally text-only in a limited selection of typefaces (although the latter distinction is no longer sharp).

Display advertising uses static and animated images in standard or non-standard sizes called web banners as well as interactive media that might include audio and video elements. Flash by Adobe (originally Macromedia, which was bought by Adobe) is the preferred format for interactive ads on the internet. Display ads do not have to be rich in images, audio or video. Text ads are also used where text is more appropriate or more effective. An example of text ads are commercial SMS messages to mobile devices users.

3.3 Interactive Advertising

Interactive Advertising is the use of interactive media to promote and/ or influence the buying decisions of the consumer in an online and offline environment. Interactive advertising can utilize media such as the Internet, interactive television, mobile devices (WAP and SMS), as well as kiosk-based terminals.

Interactive advertising affords the marketer the ability to engage the consumer in a direct and personal way, enabling a sophisticated and dimensional dialogue, which can affect a potential customer's buying decisions particularly in an e-commerce environment. Perhaps one of the most effective implementations of interactive advertising is so-called viral marketing. This technique uses images, texts, web links, Flash animations, audio/video clips etc., passed from user to user chain letter-style, via email. A notable example of this is the Subservient Chicken, a campaign by Burger King to promote their new line of chicken sandwiches and the "Have It Your Way" campaign. Interactive advertising is also assuming other avatars, such as online directories for brands. These directories presently perform a complementary role to conventional advertising, helping viewers recall and compare brands primarily seen on television. Response is mediated usually through forms and click-to-call technologies. (Bhargava, 2006)

3.4 Contextual Advertising

Contextual advertising is a form of targeted advertising for advertisements appearing on websites or other media, such as content displayed in mobile browsers. The advertisements themselves are selected and served by automated systems based on the content displayed to the user.

3.4.1 How Contextual Advertising Works

Contextual advertising is targeted to the specific individual visiting a website (or page within a website). A contextual advertising system scans the text of a website for keywords and returns advertisements to the webpage based on what the user is viewing. The advertisements may be displayed on the webpage or as pop-up ads. For example, if the user is viewing a website pertaining to sports and that website uses contextual advertising, the user may see advertisements for sports-related companies, such as memorabilia dealers or ticket sellers. Contextual advertising is also used by search engines to display advertisements on their search results pages based on the keywords in the user's query.

3.4.2 Impact

Contextual advertising has made a major impact on earnings of many websites. Because the advertisements are more targeted, they are more likely to be clicked, thus generating revenue for the owner of the website (and the server of the advertisement). A large part of Google's earnings is from its share of the contextual advertisements served on the millions of webpages running the AdSense program.

Contextual advertising has attracted some controversy through the use of techniques such as third-party hyperlinking, where a third-party installs software onto a user's computer that interacts with the Web Browser Keywords on a webpage are displayed keywords as hyperlinks that lead to advertisers.

3.4.3 Agency Roles

There are several advertising agencies that help brands understand how contextual advertising options affect their advertising plans. There are three main components to online advertising, namely:

- **Creation** – what the advertisement looks like;
- **Media planning** – where the advertisements are to be run; and
- **Media buying** – how the advertisements are paid for.

Contextual advertising replaces the media planning component. Instead of humans choosing placement options, the function is replaced with computers facilitating the placement across thousands of websites.

3.5 Social Media Optimization

Social media optimization (SMO) is a set of methods for generating publicity through social media, online communities and community websites. Methods of SMO include adding RSS feeds, adding a "Digg This" button, blogging and incorporating third party community functionalities like Flickr photo slides and galleries or YouTube videos. Social media optimization is related to search engine marketing, but differs in several ways, primarily the focus on driving traffic from sources other than search engines, though improved search ranking is also a benefit of successful SMO. (Sullivan, 2006).

Social media optimization is in many ways connected as a technique to viral marketing where word of mouth is created not through friends or family but through the use of networking in social bookmarking, video and photo sharing websites. In a similar way the engagement with blogs achieves the same by sharing content through the use of RSS in the blog sphere and special blog search engines such as Technorati.

3.5.1 Origins

Rohit Bhargava was credited with inventing the term SMO. His original rules for conducting Social Media Optimization are: (Sullivan, 2006).

- Increase your link ability
- Make tagging and bookmarking easy
- Reward inbound links
- Help your content travel
- Encourage the mashup

3.5.2 Reasons to Adopt Social Media Marketing

The inflow of social media has skyrocketed over the past few years. Being present on social media platforms is an indispensable form of marketing and not one to be ignored. The benefits of connecting to social media platforms are vast; increases exposure and traffic, generates leads, reduces marketing expenses, improves your online search ranking, grows your customer base and develops loyal fans.

By learning where your audience is, on which platforms they are active and what platforms they are searching on is fundamental in identifying how to further grow your business.

The top social media platforms where users are most active include Facebook, Twitter, Instagram, LinkedIn, YouTube and Pin Interest.

The following are key benefits why firms should adopt social media platforms;

1. **Targets your audience more efficiently:** Knowing your audience is key for any business industry to grow more effectively. Not only does social media achieve this, but also has the tools to specifically target demographic variables of your intended audience; using customer's personal information (e.g. gender, age, relationship status, language). Understanding your target audience can help you shift your marketing strategy efficiently, but also discover new uncharted opportunities and analyze your audience's movements, interactions and behaviors.

2. **Expands your target audience and brings in new ones:** Social media platforms allows users to like, comment and share your page thereby creating free advertising to expand your business reach and bring in potential customers.

3. **Allows instantaneous feedback from customers:** Social media platforms allow immediate feedback from customers; whether they are negative or positive. This provides valuable insight to customer's perspectives; allows you to either enhance your product/service to better suit your customer's needs or learn that customers are satisfied with your businesses offerings. This avoids the tedious task of calling your customers or sending out emails to ascertain their level of satisfaction.

4. **Increases website traffic, search ranking and generating leads:** The more followers, likes, comments and sharing that occurs on your social media platforms, increases your search ranking ability. Creating blogs and linking your businesses activities to your social media accounts further improves your visibility online and traffic to your website. It is important to maintain regular updates, videos and images as well as interactive and compelling content to drive this more effectively. The more active you are on social media the more leads you generate towards your company. However, make sure that the content provided is stimulating and provides the information and demand required by your customers. The intention here is to build future connections and increase word-of-mouth.

5. **Cost effective:** For new start-up companies, SMEs and entrepreneurs, creating brand awareness on a limited budget can often be challenging. Social media is a great way to increase brand awareness at little to no costs compared to other traditional advertising and marketing methods. This allows businesses to maximize their return on investments without breaking the bank. The more time and energy put in investing in social media will provide a greater impact to your businesses growth instantaneously.

6. **Develops customer service relations and loyalty:** The direct interaction between you and your customer is a key feature of social media platforms. It allows you to develop a direct bond with your customers and create a supportive network. The instant back and forth communication you get with social media helps establish trust and builds a loyal fan base. Loyal customers advocate your brand and can drive instant traffic to your business through social media. Furthermore, social media fosters direct communication with customers, in turn validating their value. This can lead to customers to recommending the company's product or service to others. At times, customers can encounter dissatisfaction and make this public. However, if customers feel that their

voice has been heard and their negative experience has been quickly rectified and resolved, a once dissatisfied customer can regain confidence, trust and loyalty.

7. **Builds brand awareness and exposure:** This is what social media platforms does best: increases your brand awareness and exposure. You basically have access to many millions of potential customers signed up to these social media platforms at your disposable. Social media gets your business to be active visually and engagingly.

3.6 Digital Marketing

Digital Marketing is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner. Whilst digital marketing does include many of the techniques and practices contained within the category of Internet Marketing, it extends beyond this by including other channels with which to reach people that do not require the use of the Internet. Because of this non-reliance on the Internet, the field of digital marketing includes a whole host of elements such as mobile phones, sms/mms, display/banner ads and digital outdoor.
Previously seen as a stand-alone service it is frequently being seen as a domain that can and does cover most, if not all, of the more traditional marketing areas such as Direct Marketing by providing the same method of communicating with an audience but in a digital fashion.

3.6.1 Digital Marketing – Pull vs. Push

There are two different forms of digital marketing, each of which has its pros and cons. (Sullivan, 2006).

Pull: Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content. Website/blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

Pros

- No restrictions, in terms of type of content or size as the user determines what they want.
- No technology required to send the content, only to store/display it.
- No regulations or opt-in process required.

Cons

- Considerable marketing effort required for users to find the message/content.
- Limited tracking capabilities – only total downloads, page views, etc.
- No personalization – content is received and viewed the same way across all audiences.

Push

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

Pros

- Can be personalized -- messages received can be highly targeted and specific to selected criteria – like a special offer for females, 21 years old or over and living in California.
- Detailed tracking and reporting – marketers can see not only how many people saw their message but also specific information about each user such as their name as well as demographic and psychographic data.
- High Return on Investment (ROI) possible – if executed the right way, push messaging can help drive new revenue as well as brand reinforcement.

Cons

- Compliance issue – each push messaging technology has its own set of regulations, from minor (RSS) to heavily controlled (email and text messaging)
- Requires mechanism to deliver content – the marketer has to use an application to send the message, from an email marketing system to RSS feeders.
- Delivery can be blocked – if the marketer does not follow the regulations set forth by each push message type, the content can be refused or rejected before getting to the intended recipient.

3.6.2 Digital Marketing and Multi-Channel Communications

While digital marketing is effective when using one message type, it is much more successful when a marketer combines multiple channels in the message campaigns. For example, if a company is trying to promote a new product release, they could send out an email message or text campaign individually. This, if properly executed, could yield positive results. However, this same campaign could be exponentially improved if multiple message types are implemented.

An email could be sent to a list of potential customers with a special offer for those that also include their cell phone number. A couple of days later, a follow up campaign would be sent via text message (SMS) with the special offer.

Push and pull message technologies can also be used in conjunction with each other. For example, an email campaign can include a banner ad or link to a content download. This enables a marketer to have the best of both worlds in terms of their marketing messaging.

SELF ASSESSMENT EXERCISE

Discuss fully the relevance of digital marketing in today's world.

3.7 E-Procurement

E-procurement (**electronic procurement**, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer purchase and sale of supplies and services through the internet as well as other information and networking systems, such as Electronic Data Interchange and Enterprise Resource Planning. Typically, e-procurement Web sites allow qualified and registered users to look for buyers or sellers of goods and services.

Depending on the approach, buyers or sellers may specify costs or invite bids. Transactions can be initiated and completed. Ongoing purchases may qualify customers for volume

discounts or special offers. E-procurement software may make it possible to automate some buying and selling. Companies participating expect to be able to control parts inventories more effectively, reduce purchasing agent overhead, and improve manufacturing cycles.

E-procurement is expected to be integrated with the trend toward computerized supply chain management. E-procurement is done with a software application that includes features for supplier management and complex auctions. E-Bay's tools for its sellers have similar features.

There are six main types of e-procurement:

- **Web-based ERP (Electronic Resource Planning)**: Creating and approving purchasing requisitions, placing purchase orders and receiving goods and services by using a software system based on Internet technology.
- **E-MRO (Maintenance, Repair and Operating)**: The same as web based ERP except that the goods and services ordered are non-product related MRO supplies.
- **E-sourcing**: Identifying new suppliers for a specific category of purchasing requirements using Internet technology.
- **E-tendering**: Sending requests for information and prices to suppliers and receiving the responses of suppliers using Internet technology.
- **E-reverse auctioning**: Using Internet technology to buy goods and services from a number of known or unknown suppliers.
- **E-informing**: Gathering and distributing purchasing information both from and to internal and external parties using Internet technology.

The e-procurement value chain consists of Indent Management, eTendering, eAuctioning, Vendor Management, Catalogue Management, and Contract Management. Indent Management is the workflow involved in the preparation of tenders. This part of the value chain is optional, with individual procuring departments defining their indenting process. In works procurement, administrative approval and technical sanction are obtained in electronic format. In goods procurement, indent generation activity is done online. The result of the stage is taken as inputs for issuing the NIT. Elements of e-procurement include Request for Information, Request For Proposal, Request for Quotation, RFx (the previous three together), and eRFx (software for managing RFx projects). (Bhargava, 2006).

3.7.1 Advantages and Disadvantages

Advantages include getting the right product, from the right supplier, at the right time, for the right price and the right quantity. E-procurement has the advantage of taking supply chain management to the next level, providing real time information to the vendor as to the status of a customer's needs. For example, a vendor may have an agreement with a customer to automatically ship materials when the customer's stock level reaches a low point, thus bypassing the need for the customer to ask for it. A major disadvantage of this type of agreement could be that the vendor has the power to take advantage of the customer by knowing more information about the customer than they would have if the customer was in a normal supply chain management structure.

4.0 CONCLUSION

As in conventional traditional marketing of goods and services, in Internet marketing there are several strategies adopted to promote goods and services. These initiatives do not defer much from the conventional forms, but are only effected electronically. For instance, the use

of banners to promote and publicize goods and services in traditional setting is also adopted in Internet marketing promotional. It is worthy to note that there continues to be addition of electronic promotional stunts to keep modern day marketing exciting and dynamic.

5.0 SUMMARY

- A **web banner** or **banner ad** is a form of advertising on the World Wide Web. This form of online advertising entails embedding an advertisement into a web page. It is intended to attract traffic to a website by linking to the website of the advertiser.
- **Display** advertising is a type of advertising that may, and most frequently does, contain graphic information beyond text such as logos, photographs or other pictures, location maps, and similar items.
- **Interactive Advertising** is the use of interactive media to promote and/or influence the buying decisions of the consumer in an online and offline environment.
- **Contextual advertising** is a form of targeted advertising for advertisements appearing on websites or other media, such as content displayed in mobile browsers.
- **Social media optimization** (SMO) is a set of methods for generating publicity through social media, online communities and community websites.
- **Digital Marketing** is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner.
- **E-procurement** (**electronic procurement**, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer purchase and sale of supplies and services through the internet as well as other information and networking systems, such as Electronic Data Interchange and Enterprise Resource Planning.

- The e-procurement value chain consists of Indent Management, e-Tendering, e-Auctioning, Vendor Management, Catalogue Management, and Contract Management.

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly discuss Interactive Marketing as a form of Internet marketing.
2. Mention five forms of e-procurement.

7.0 REFERENCES/FURTHER READINGS

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UNIT 2: ONLINE SHOPPING

CONTENTS

1.0 INTRODUCTION

Online shopping is the process consumers go through to purchase products or services over the Internet. An online shop, e-shop, e-store, internet shop, webshop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping mall. Online shopping is a type of electronic commerce used for business-to-business (B2B) and business-to-consumer (B2C) transactions. The term **"Webshop"** also refers to a place of business where web development, web hosting and other types of web related activities take place (Web refers to the World Wide Web and "shop" has a colloquial meaning used to describe the place where one's occupation is carried out). (Cumming, 2006).

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- Define online shopping
- Trace the history and development of online shopping
- Identify the target audience of online shopping
- Recount the trends in online shopping
- Identify the payment systems available for online shoppers
- Enumerate the issues of logistics, security, convenience, user interface, and much more.

3.0 MAIN CONTENT

3.1 History of Online Shopping

Since about 1990, online shopping has emerged into every corner of life, linking people to the culture of capitalism in frequent and daily ways. It lets us buy what we want, when we want at our convenience, and helps us to imagine ourselves buying, owning, and having positive outcomes by the goods available out there on the web. Shopping has been a way of identifying oneself in today's culture by what we purchase and how we use our purchases. Online shopping has always been a middle to high class commodity since its first arrival on the internet in society. In 1990, Tim Berners-Lee created The World Wide Web Browser. A few years later in 1994 other advances took place such as Online Banking, after that, the next big development was the opening of an online pizza shop by Pizza Hut. In that same year Netscape introduced SSL encryption to enable encryption over the data transferred online which has become essential for online shopping. In 1995, Amazon started up with online shopping, then in 1996, eBay opened for online shopping as well. The idea of online shopping pre-dates the World Wide Web for there were earlier experiments involving real-time transaction processing from a domestic television. The technology, based on Videotex was first demonstrated by Michael Aldrich in 1979 who designed and installed systems in the UK, including the first Tesco pilot system in the 1980s. (Cummings, 2006)

3.2 Target Audience

In general, shopping has always catered to middle class and upper class women. Shopping is fragmented and pyramid-shaped. At the pinnacle are elegant boutiques for the affluent, a huge belt of inelegant but ruthlessly efficient “discounters” flog plenty at the pyramid’s precarious middle. At its base are the world’s workers and poor, on whose cheapened labor the rest of the pyramid depends for its incredible abundance. Shopping has evolved from single stores to large malls with different services such as offering delivery, attentive service and store credit and accepting return. These new additions to shopping have encouraged and targeted middle class women. In recent years, online shopping has become popular; however, it still caters to the middle and upper class. To shop online, one must be able to have access to a computer and most of the time, own a credit card. This technology separates social classes and their ability to shop. The shopping landscape not only helps distract us from the enormous social segregation by race and class that the most privileged Americans find completely natural, it helps to reproduce this segregation. Shopping has evolved with the growth of technology and that means an even larger separation between social classes and their means to shop. Social position strongly influences individual preferences and tastes in popular culture. If we focus on the demographic characteristics of the in-home shopper, in general, the higher the level of education, income, and occupation of the head of the household, the more favourable the perception of non-store shopping. It should be remembered that an influential factor in consumer attitude towards non-store shopping is exposure to technology, since it has been demonstrated that increased exposure to technology increases the probability of developing favourable attitudes towards new shopping channels.
Online shopping widened the target audience to men and women of the middle class. At first, main users of online shopping were young men with a high level of income and a university education. This profile is changing. For example, in the United States in the early years of Internet there were very few women users, but by 2001 women were 52.8 percent of the online population. Sociocultural pressure has made men generally more independent in their purchase decisions, while women place greater value on personal contact and social relations. In addition, male shoppers are more independent when deciding on purchasing products because unlike women, they don’t necessarily need to see or try on the product.

3.3 Trends and Predictability in Online Shopping

One third of people that shop online use a search engine to find what they are looking for and about one fourth of people find websites by word of mouth. Word of mouth has increased as a leading way that people find websites to shop from. When an online shopper has a good first experience with a certain website sixty percent of the time they will return to that website to buy more. Books are one of the things bought most online, however clothes, shoes and accessories are all very popular things to buy online. Cosmetics, nutrition products and groceries are increasingly being purchased online. About one fourth of travelers are buying their plane tickets online because it is a quick and easy way to compare airline travel and make a purchase. Online shopping provides more freedom and control than shopping in a store.

According to sociological perspective online shopping is arguably the most predictable way to shop. One knows exactly what website to go to, how much the product will cost, and how long it will take for the product to reach them. Online shopping has become extremely routine and predictable, which is one of its great appeals to the consumer.

3.4 Logistics

Consumers find a product of interest by visiting the website of the retailer directly, or do a search across many different vendors using a shopping search engine. Once a product has been found on the web site of the seller, most online retailers use shopping cart software to allow the consumer to accumulate multiple items and to adjust quantities, by analogy with filling a physical shopping cart or basket in a conventional store. A "checkout" process follows (continuing the physical-store analogy) in which payment and delivery information is collected, if necessary. Some stores allow consumers to sign up for a permanent online account so that some or all this information only needs to be entered once. The consumer often receives an e-mail confirmation once the transaction is complete. Less sophisticated stores may rely on consumers to phone or e-mail their orders (though credit card numbers are not accepted by e-mail, for security reasons).

3.5 Payment

Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Debit card
- Various types of electronic money
- Cash on delivery (C.O.D., offered by very few online stores)
- Cheque
- Wire transfer/delivery on payment
- Postal money order
- PayPal
- Google Checkout
- Moneybookers
- Reverse SMS billing to mobile phones
- Gift cards
- Direct debit in some countries.

Some sites will not allow international credit cards and billing address and shipping address should be in the same country in which site does its business. Other sites allow customers from anywhere to send gifts anywhere. The financial part of a transaction might be processed in real time (for example, letting the consumer know their credit card was declined before they log off), or might be done later as part of the fulfillment process. While credit cards are currently the most popular means of paying for online goods and services, alternative online payments will account for 26 percent of e-commerce volume by 2009. (Wilson, 2017).

3.6 Product Delivery

Once a payment has been accepted the goods or services can be delivered in the following ways.

- **Download:** This is the method often used for digital media products such as software, music, movies, or images.
- **Shipping:** The product is shipped to the customer's address.
- **Drop shipping:** The order is passed to the manufacturer or third-party distributor, who ships the item directly to the consumer, bypassing the retailer's physical location to save time, money, and space.
- **In-store pickup:** The customer orders online, finds a local store using locator software and picks the product up at the closest store. This is the method often used in the bricks and clicks business model.

3.7 Shopping Cart Systems

Simple systems allow the offline administration of products and categories. The shop is then generated as HTML files and graphics that can be uploaded to a webspace. These systems do not use an online database. A high-end solution can be bought or rented as a standalone programme or as an addition to an enterprise resource planning programme. It is usually installed on the company's own webserver and may integrate into the existing supply chain so that ordering, payment, delivery, accounting and warehousing can be automated to a large extent. Other solutions allow the user to register and create an online shop on a portal that hosts multiple shops at the same time. Open source shopping cart packages include advanced platforms such as Interchange, and off the shelf solutions as osCommerce, Magento, Zen Cart and VirtueMart. Commercial systems can also be tailored to ones needs so that the shop does not have to be created from scratch. By using a framework already existing, software modules for different functionalities required by a webshop can be adapted and combined.

3.8 Information Load

Designers of online shops should consider the effects of information load. Mehrabian and Russel (1974), introduced the concept of information rate (load) as the complex spatial and temporal arrangements of stimuli within a setting. The notion of information load is directly related to concerns about whether consumers can be given too much information in virtual shopping environments. Compared with conventional retail shopping, computer shopping enriches the information environment of virtual shopping by providing additional product information, such as comparative products and services, as well as various alternatives and attributes of each alternative, etc.

Two major sub-dimensions have been identified for information load: complexity and novelty. Complexity refers to the number of different elements or features of a site, which can be the result of increased information diversity. Novelty involves the unexpected, suppressing, new, or unfamiliar aspects of the site. A research by Huang (2000), showed that

the novelty dimension kept consumers exploring the shopping sites, whereas the complexity dimension has the potential to induce impulse purchases.

3.9 User Interface

It is important to take the country and customers into account. For example, in Japan, privacy is very important and emotional involvement is more important on a pension's site then on a shopping site. (Cummings, 2006) Next to that, there is a difference in experience: experienced users focus more on the variables that directly influence the task, while novice users are focusing more on understanding the information. There are several techniques for the inspection of the usability. The ones used in the research of Chen & Macredie (2005), are: Heuristic evaluation, cognitive walkthrough and the user testing. Every technique has its own (dis-)advantages and it is therefore important to check per situation which technique is appropriate. When the customers visited the online shop, a couple of factors determine whether they will return to the site. The most important factors are the ease of use and the presence of user-friendly features.

3.10 Convenience

Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. A visit to a conventional retail store requires travel and must take place during business hours. Searching or browsing an online catalog can be faster than browsing the aisles of a physical store. Consumers with dial-up Internet connections rather than broadband have much longer load times for content-rich websites and have a considerably slower online shopping experience. Some consumers prefer interacting with people rather than computers (and vice versa), sometimes because they find computers hard to use. Not all online retailers have succeeded in making their sites easy to use or reliable.
In most cases, merchandise must be shipped to the consumer, introducing a significant delay and potentially uncertainty about whether the item was in stock at the time of purchase. Bricks-and clicks stores offer the ability to buy online but pick up in a nearby store.

Many stores give the consumer the delivery company's tracking number for their package when shipped, so they can check its status online and know exactly when it will arrive. For efficiency reasons, online stores generally do not ship products immediately upon receiving an order.

Orders are only filled during warehouse operating hours, and there may be a delay of anywhere from a few minutes to a few days to a few weeks before in-stock items are packaged and shipped. Many retailers inform customers how long they can expect to wait before receiving a package, and whether they generally have a fulfillment backlog. A quick response time is sometimes an important factor in consumers' choice of merchant. A weakness of online shopping is that, even if a purchase can be made 24 hours a day, the customer must often be at home during normal business hours to accept the delivery. For many professionals this can be difficult, and absence at the time of delivery can result in delays, or in some cases, return of the item to the retailer. Automated delivery booths, such as DHL's Packstation, have tried to address this problem. In the event of a problem with the item - it is not what the consumer ordered, or it is not what they expected – consumers are concerned with the ease with which they can return an item for the correct one or for a refund. Consumers may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund.
Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. For example, the online shoe retailer Zappos.com includes labels for free return shipping, and does not charge a restocking fee, even for returns which

are not the result of merchant error. (Note: In the United Kingdom, Online shops are prohibited from charging a restocking fee if the consumer cancels their order in accordance with the Consumer Protection (Distance Selling) Act 2000). (Cummings, 2006)

3.11 Information and Reviews

Online stores must describe products for sale with text, photos, and multimedia files, whereas in a physical retail store, the actual product and the manufacturer's packaging will be available for direct inspection (which might involve a test drive, fitting, or other experimentation). Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, or manufacturer specifications. Some provide background information, advice, or how-to guides designed to help consumers decide which product to buy. Some stores even allow customers to comment or rate their items. There are also dedicated review sites that host user reviews for different products. In a conventional retail store, clerks are generally available to answer questions. Some online stores have real-time chat features, but most rely on e-mail or phone calls to handle customer questions.

3.12 Price and Selection

One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores). Search engines and online price comparison services can be used to look up sellers of a product or service. Shoppers find a greater selection online in certain market segments (for example, computers and consumer electronics) and in some cases lower prices. This is due to a relaxation of certain constraints, such as the size of a "brick-and-mortar" store, lower stocking costs (or none, if drop shipping is used), and lower staffing overhead. Shipping costs (if applicable) reduce the price advantage of online merchandise, though depending on the jurisdiction, a lack of sales tax may compensate for this. Shipping a small number of items, especially from another country, is much more expensive than making the larger shipments bricks-and-mortar retailers order. Some retailers (especially those selling small, high-value items like electronics) offer free shipping on sufficiently large orders.

SELF ASSESSMENT EXERCISE

What dangers and security concerns are inherent in internet marketing?

3.13 Fraud and Security Concerns

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase. With a warehouse instead of a retail storefront, merchants face less risk from physical theft. Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers when hackers break into a merchant's web site and steal names, addresses and credit card numbers. Several high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks. (Wilson, 2017).

Phishing is another danger, where consumers are fooled into thinking they are dealing with a reputable retailer, when they have been manipulated into feeding private information to a system operated by a malicious party. On the other hand, dealing with an automated system instead of a population of store clerks reduces the risk of employees stealing consumer information, or dumpster diving of paper receipts. Denial of service attacks are a minor risk for merchants, as are server and network outages. Quality seals can be placed on the Shop webpage if it has undergone an independent assessment and meets all requirements of the company issuing the seal. The purpose of these seals is to increase the confidence of the online shoppers; the existence of many different seals, or seals unfamiliar to consumers, may foil this effort to a certain extent. Several sources offer advice on how consumers can protect themselves when using online retailer services. These include:

- Sticking with known stores, or attempting to find independent consumer reviews of their experiences; also ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as trust mark or trust seal.

- Ensuring that the retailer has an acceptable privacy policy posted. For example note if the retailer does not explicitly state that it will not share private information with others without consent.

- Ensuring that the vendor address is protected with SSL (see above) when entering credit card information. If it does the address on the credit card information entry screen will start with "HTTPS".

- Using strong passwords, without personal information. Another option is a "pass phrase," which might be something along the lines: "I shop 4 good a buy!!" These are difficult to hack, and provides a variety of upper, lower, and special characters and could be site specific and easy to remember.

Although the benefits of online shopping are considerable, when the process goes poorly it can create a thorny situation. A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Most large online corporations are inventing new ways to make fraud more difficult, however, the criminals are constantly responding to these developments with new ways to manipulate the system. Even though these efforts are making it easier to protect yourself online, it is a constant fight to maintain the lead. It is advisable to be aware of the most current technology and scams out there to fully protect yourself and your finances.

One of the hardest areas to deal with in online shopping is the delivery of the products. Most companies offer shipping insurance in case the product is lost or damaged; however, if the buyer opts not to purchase insurance on their products, they are generally out of luck. Some shipping companies will offer refunds or compensation for the damage, but it is up to their digression if this will happen. It is important to realize that once the product leaves the hands of the seller, they have no responsibility (provided the product is what the buyer ordered and is in the specified condition).

3.13.1 Privacy

Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant. In response, many merchants

promise not to use consumer information for these purposes, or provide a mechanism to opt-out of such contacts. Brick-and-mortar stores also collect consumer information. Some ask for address and phone number at checkout, though consumers may refuse to provide it. Many larger stores use the address information encoded on consumers' credit cards (often without their knowledge) to add them to a catalog mailing list. This information is obviously not accessible to the merchant when paying in cash.

Many successful purely virtual companies deal with digital products, (including information storage, retrieval, and modification), music, movies, office supplies, education, communication, software, photography, and financial transactions. Examples of this type of company include: Google, eBay and Paypal. Other successful marketers use Drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory. Examples include numerous sellers on eBay. Some non-digital products have been more successful than others for online stores. Profitable items often have a high value-to-weight ratio, they may involve embarrassing purchases, they may typically go to people in remote locations, and they may have shut-ins as their typical purchasers. Items which can fit through a standard letterbox – such as music CDs, DVDs and books – are particularly suitable for a virtual marketer, and indeed Amazon.com, one of the few enduring dot-com companies, has historically concentrated on this field.

Products such as spare parts, both for consumer items like washing machines and for industrial equipment like centrifugal pumps, also seem good candidates for selling online. Retailers often need to order spare parts specially, since they typically do not stock them at consumer outlets – in such cases, e-commerce solutions in spares do not compete with retail stores, only with other ordering systems. A factor for success in this niche can consist of providing customers with exact, reliable information about which part number their version of a product needs, for example by providing parts lists keyed by serial number.

Products less suitable for e-commerce include products that have a low value-to-weight ratio, products that have a smell, taste, or touch component, products that need trial fittings – most notably clothing – and products where colour integrity appears important. Nonetheless, Tesco.com has had success delivering groceries in the UK, albeit that many of its goods are of a generic quality, and clothing sold through the internet is big business in the U.S. Also, the recycling program Cheap cycle sells goods over the internet, but avoids the low value-to-weight ratio problem by creating different groups for various regions, so that shipping costs remain low. (Cummings, 2006)

3.13.2 Aggregation

High-volume websites offer hosting services for online stores to small retailers. These stores are presented within an integrated navigation framework. Collections of online stores are sometimes known as virtual shopping malls or online marketplaces. Become.com is a product price comparison service and discovery shopping search engine with a mission to help shoppers make ideal buying decisions. Dulance was a price engine that specialized in searching for hard-to-find products often sold by small independent online retailers ("The Long Tail").

4.0 CONCLUSION

Indeed online shopping is a form of e-commerce, but more devoted to the buying of goods and services in virtual shop where the goods are physically displayed, though virtually. Though it is not as encompassing as Internet marketing they have the same concept. It has brought a big relive and convenience to shopping experiences all over the world.

5.0 SUMMARY

i. Online shopping is the process consumers go through to purchase products or services over the Internet. An online shop, eshop, e-store, internet shop, webshop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping mall.
ii. Since about 1990, online shopping has emerged into every corner of life, linking people to the culture of capitalism in frequent and daily ways.
iii. In general, shopping has always catered to middle class and upper class women.
iv. One third of people that shop online use a search engine to find what they are looking for and about one fourth of people find websites by word of mouth.
v. Consumers find a product of interest by visiting the website of the retailer directly, or do a search across many different vendors using a shopping search engine.
vi. Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means.
vii. Once a payment has been accepted the goods or services can be delivered in the several ways.
viii. Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home.
ix. One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores).
x. Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store.
xi. Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement.
xii. High-volume websites offer hosting services for online stores to small retailers.

6.0 TUTOR-MARKED ASSIGNMENT

1. List ten payment options in online shopping.
2. Briefly discuss ways to deliver goods and services in online shopping.

7.0 REFERENCES/FURTHER READINGS

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UNIT 3: E-PAYMENTS

CONTENTS

1.0 INTRODUCTION

In the previous unit, we discussed the concept and forms of online shopping. In this unit, we will be discussing the different e-payments methods. Due to the challenge of payment methods over the Internet, several e-payment options have been developed the ease Internet marketing transactions. The various e-payment methods are emphasized in this unit.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- List the various forms of e-payments
- Differentiate the various forms of e-payment methods
- Identify the advantages and disadvantages associated with the use of the e-payment methods
- Answer the questions of security as well as other challenges that come with use of the e-payment options.

3.0 MAIN CONTENT

3.1 Debit Card

A **debit card** is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it is similar to writing a cheque as the funds are withdrawn directly from either the bank account (often referred to as a *cheque card*), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card. The use of debit cards has become wide-spread in many countries and has overtaken the cheque and in some instances cash transactions by volume. Like credit cards, debit cards are used widely for telephone and Internet purchases. This may cause inconvenient delays at peak shopping times (e.g., the last shopping day before Christmas), caused when the volume of transactions overloads the bank networks. In some countries the debit card is multipurpose, acting as the ATM card for withdrawing cash and as a cheque guarantee card. Merchants can also offer "cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase.

3.2 Credit or Debit?

For consumers, the difference between a "debit card" and a "credit card" is that the debit card deducts the balance from a deposit account, like a checking account, whereas the credit card allows the consumer to spend money on credit to the issuing bank. In some countries: When a merchant asks "credit or debit?" the answer determines whether they will use a merchant account affiliated with one or more traditional credit card associations (Visa, MasterCard, Discover, American Express, etc.) or an interbank network typically used for debit and ATM cards, like PLUS, Cirrus (interbank network), or Maestro. In other countries: When a merchant asks "credit or debit?" the answer determines whether the transaction will be handled as a *credit transaction* or as a *debit transaction*. In the former case, the merchant is more likely than in the latter case to have to pay a fee defined by fixed percentage to the merchant's bank. In both cases, the merchant may have to pay a fixed amount to the bank. In either case, the transaction will go through a major credit/debit network (such as Visa, MasterCard, Visa Electron or Maestro). In either case, the transaction may be conducted in either online or offline mode, although the card issuing bank may choose to block transactions made in offline mode. This is always the case with Visa Electron transactions, usually the case with Maestro transactions and rarely the case with Visa or MasterCard transactions. In yet other countries: a merchant will only ask for "credit or debit?" if the card is a combined credit+debit card. If the payee chooses "credit", the credit balance will be debited the amount of the purchase; if the payee chooses "debit", the bank account balance will be debited the amount of the purchase. This may be confusing because "debit cards" which are linked directly to a checking account are sometimes dual-purpose, so that they can be used seamlessly in place of a credit card, and can be charged by merchants using the traditional credit networks. There are also "pre-paid credit cards" which act like a debit card but can only be charged using the traditional "credit" networks. The card itself does not necessarily indicate whether it is connected to an existing pile of money, or merely represents a promise to pay later.

In some countries, the "debit" networks typically require that purchases be made in person and that a personal identification number be supplied. The "credit" networks allow cards to be charged with only a signature, and/or picture ID. In other countries, identification typically requires the entering of a personal identification number or signing a piece of paper. This is regardless of whether the card network in use mostly is used for credit transactions or for debit transactions. In the event of an offline transaction (regardless of whether the offline

transaction is a credit transaction or a debit transaction), identification using a PIN is impossible, so only signatures on pieces of paper work.

In some countries, consumer protections also vary, depending on the network used. Visa and MasterCard, for instance, prohibit minimum and maximum purchase sizes, surcharges, and arbitrary security procedures on the part of merchants. Merchants are usually charged higher transaction fees for credit transactions, since debit network transactions are less likely to be fraudulent. This may lead them to "steer" customers to debit transactions. Consumers disputing charges may find it easier to do so with a credit card, since the money will not immediately leave their control. Fraudulent charges on a debit card can also cause problems with a checking account because the money is withdrawn immediately and may thus result in an overdraft or bounced checks. In some cases, debit card-issuing banks will promptly refund any disputed charges until the matter can be settled, and in some jurisdictions the consumer liability for unauthorized charges is the same for both debit and credit cards.

In other countries, in India, the consumer protection is the same regardless of the network used. Some banks set minimum and maximum purchase sizes, mostly for online-only cards. However, this has nothing to do with the card networks, but rather with the bank's judgement of the person's age and credit records. Any fees that the customers must pay to the bank are the same regardless of whether the transaction is conducted as a credit or as a debit transaction, so there is no advantage for the customers to choose one transaction mode over another. Shops may add surcharges to the price of the goods or services in accordance with laws allowing them to do so. Banks consider the purchases as having been made now when the card was swiped, regardless of when the purchase settlement was made. Regardless of which transaction type was used, the purchase may result in an overdraft because the money is considered to have left the account at the card swiping. Although many debit cards are of the Visa or MasterCard brand, there are many other types of debit card, each accepted only within a country or region, for example Switch (now: Maestro) and Solo in the United Kingdom, Carte Bleue in France, Laser in Ireland, "EC electronic cash" (formerly Euro check) in Germany and EFTPOS cards in Australia and New Zealand. The need for cross-border compatibility and the advent of the euro recently led to many of these card networks (such as Switzerland's "EC direkt", Austria's "Bankomatkasse" and Switch in the United Kingdom) being rebranded with the internationally recognized Maestro logo, which is part of the MasterCard brand. Some debit cards are dual branded with the logo of the (former) national card as well as Maestro (e.g. EC cards in Germany, Laser cards in Ireland, Switch and Solo in the UK, Pinpas cards in the Netherlands, Bancontact cards in Belgium, etc.). Debit card systems have become popular in video arcades, bowling centers and theme parks.
The use of a debit card system allows operators to package their product more effectively while monitoring customer spending. An example of one of these systems is ECS by Embed International. (Wilson, 2017) A prepaid debit card looks a lot like a credit card. It even works a lot like a credit card, when you use it in a store to purchase products. However, a prepaid credit card is not a credit card. The two work very differently.

Whenever you use a credit card, you are borrowing money from someone else to purchase something. A credit card is then a loan. It doesn’t matter if it is a secure credit card, a small business credit card or anything else: the credit card company is lending you money to make your purchase, for which you are going to be charged interest on later (assuming you don’t pay the total balance within a 30-day period). A prepaid debit card, on the other hand, is not a loan. It is simply a method following some of the principles of credit cards for the basic transaction, but instead of borrowing money from a third party you are taking money straight from your debit card account. Therefore, it is referred to as prepaid: you put the money into the account, then you can take the money out of it using your debit card, as opposed to paying for the purchase after the fact with a credit card. There are therefore no interest rates

applied to debit cards, although there are sometimes fees associated with them. You never should worry about going into debt using a debit card, since you are only taking out what you take in. Many people find them a welcome alternative to traditional credit cards.

3.3 FSA Debit Cards

In the U.S.A, FSA debit card only allows medical expenses. It is used by some banks for withdrawals from their FSAs, MSAs, and HSAs as well. They have Visa or MasterCard logos, but cannot be used as "debit cards", only as "credit cards"", and they are not accepted by all merchants that accept debit and credit cards, but only by those that accept FSA debit cards. Merchant codes and product codes are used at the point of sale (required by law by certain merchants by certain dates in the USA) to restrict sales if they do not qualify. Because of the extra checking and documenting that goes on, later, the statement can be used to substantiate these purchases for tax deductions. In the occasional instance that a qualifying purchase is rejected, another form of payment must be used (a check or payment from another account and a claim for reimbursement later). In the more likely case that non-qualifying items are accepted, the consumer is technically still responsible, and the discrepancy could be revealed during an audit. (Cummings, 2006).

3.4 Wire Transfer

Wire transfer is a method of transferring money from one entity to another. A wire transfer can be made from one entity's bank account to the other entity's bank account, and by a transfer of cash at a cash office.

3.4.1 History

Although the genesis of wire transfer dates as far back as the giro, the modern wire transfer was a product of the telegraph companies, which made it possible to wire a money order from one office to another. Later, it became possible to wire money between banks, which is essentially the same process as the giro. Therefore, the term giro is still used for it in many other European countries.

3.4.2 Process

Bank wire transfers are often the most expedient method for transferring funds between bank accounts. A bank wire transfer is affected as follows:

- The sending bank transmits a message, via a secure system (such as SWIFT or Fed wire), to the receiving bank, requesting that it effect payment according to the instructions given.
- The message also includes settlement instructions. The actual transfer is not instantaneous: funds may take several hours or even days to move from the sender's account to the receiver's account.
- Either the banks involved must hold a reciprocal account with each other, or the payment must be sent to a bank with such an account, a correspondent bank, for further benefit to the ultimate recipient.

3.4.3 Regulation

Bank transfer is the most common payment method in Europe, with several million transactions processed each day. Debit cards are used extensively to pay in stores, while monthly bills are usually paid with a direct transfer (by cellular phone or Internet, or at the

bank or an ATM). In 2002, the European Commission relegated the regulation of the fees that a bank may charge for payments in Euros between European Union member countries down to the domestic level resulting in very low or no fees for transfers within the Eurozone; wire transfers between this zone and external areas can be expensive. In the United States, domestic wire transfers are governed by Federal Regulation J and by Article 4A of the Uniform Commercial Code. (Bhargav, 2006).

3.4.4 Security

Bank-to-bank wire transfer is considered the safest international payment method. Each account holder must have a proven identity. Chargeback is unlikely, although wires can be recalled. Information contained in wires is transmitted securely through encrypted communications methods. The price of bank wire transfers varies greatly, depending on the bank and its location; in some countries, the fee associated with the service can be costly. Wire transfers done through cash offices are essentially anonymous and are designed for transfer between persons who trust each other. It is unsafe to send money by wire to an unknown person to collect at a cash office: the receiver of the money may, after collecting it, simply disappear. This scam has been used often, especially in so-called Nigerian letters, also called *advance fee fraud* or *419 scams*.

International transfers involving the United States are subject to monitoring by the Office of Foreign Assets Control (OFAC), which monitors information provided in the text of the wire to ascertain whether money is being transferred to terrorist organizations or countries or entities under sanction by the United States government. If a financial institution suspects that funds are being sent from or to one of these entities, it must block the transfer and freeze the funds.

3.4.5 Methods

Western Union

One of the largest companies that offer wire transfer is Western Union which allows individuals to transfer or receive money without an account with Western Union or any financial institution. Concern and controversy about Western Union transfers have increased in recent years, because of the increased monitoring of money-laundering transactions, as well as concern about terrorist groups using the service, particularly in the wake of the September 11, 2001 attacks. Although Western Union keeps information about senders and receivers, some transactions can be done essentially anonymously, for the receiver is not always required to show identification.

International

Most international transfers are executed through SWIFT, a co-operative society, founded in 1974 by seven international banks, which operate a global network to facilitate the transfer of financial messages. Using these messages, banks can exchange data for funds transfer between financial institutions. SWIFT's headquarters are in La Hulpe, on the outskirts of Brussels, Belgium. The society also acts as a United Nations sanctioning international-standards body, for the creation and maintenance of financial-messaging standards.
Each financial institution is provided an ISO 9362 code, also called a *Bank Identifier Code* (*BIC*) or *SWIFT Code*. These codes generally are eight characters long For example: Deutsche Bank is an international bank, with its head office in Frankfurt Germany, the SWIFT Code for which is *DEUTDEFF*:

- *DEUT* identifies Deutsche Bank.
- *DE* is the country code for Germany.
- *FF* is the code for Frankfurt.

Using an extended code of 11 digits (if the receiving bank has assigned extended codes to branches or to processing areas) allows the payment to be directed to a specific office. For example: DEUTDEFF500 would direct the payment to an office of Deutsche Bank in Bad Homburg. European banks making transfers within the European Union also use the International Bank Account Number, or IBAN.

United States

Banks in the United States use SWIFT to make payments to banks in other countries. Domestic bank-to-bank transfers are conducted through the Fed wire system, which uses the Federal Reserve System and its assignment of routing transit number, which uniquely identify each bank.

ASSESSMENT EXERCISE

Western Union Money Transfer has reduced the concerns, bottleneck, and problems encountered in remittance of funds from one person to another. Discuss

3.5 Money Order

A **money order** is a payment order for a pre-specified amount of money. Because it is required that the funds be prepaid for the amount shown on it, it is a more trusted method of payment than a personal check. Merchants welcome the extra security of a pre-paid money order instead of a personal check, which can bounce.

3.5.1 History of Money Orders

The money order system was established by a private firm in Great Britain in 1792, and was expensive and not very successful. In about 1836, it was sold to another private firm which lowered the fees which therefore significantly increased the popularity and usage of the system. The Post Office noted the success and profitability, and took over the system in 1838. Fees were reduced further, and usage increased further, making the money order system reasonably profitable. The only drawback was the need to send an advance to the paying Post Office before payment could be tendered to the recipient of the order. This drawback was probably the primary incentive for establishment of the Postal Order System on 1 January 1881. (Bhargav, 2006).

3.5.2 Using Money Orders

A money order is purchased for the amount desired. In this way it is similar to a certified check. The main difference is that money orders are usually limited in maximum face value to some specified figure (for example, the United States Postal Service limits domestic postal money orders to US#1,000 as of July 2008) while certified checks are not.

Money orders typically consist of two portions: the negotiable check for remittance to if the person can relate to the matter made creditor, and a receipt that the customer retains for his/her records. The amount is printed by machine or check writer on both portions, and similar documentation, either as a third hard copy or in electronic form and retained at the issuer and agent locations.

Money orders were originally issued by the U.S. Postal Service as an alternative to sending cash through the postal system for those who did not have checking accounts. They were later offered by many more vendors than just the postal service as a means to pay bills and send money internationally where there were no reliable banking or postal systems.

3.5.3 Drawbacks of Money Orders

Money orders have limited acceptance in the insurance and brokerage industry because of concerns over money laundering. Because of provisions within the USA PATRIOT Act and the Bank Secrecy Act, money orders require far more regulatory processing requirements than personal checks, cashier's checks, or certified checks. Thus, most brokerage firms, insurance firms, and even many banks will not accept them as payment.

As of 2006 there has been a significant increase in counterfeit postal money orders. Often, such a counterfeit will be sent to an unwitting victim who is instructed, on some pretext, to deposit it at his/her bank and return some of the funds. The victim is more likely to trust an "official" money order than a regular check, for the reasons given above. However, because money orders are paid through the postal service rather than the usual check clearing system, they often take longer to "bounce" than an ordinary check. When this finally occurs, it is charged back to the victim, who may already have sent back the funds, for which he or she must take the loss. For this reason, banks are now applying increased security to incoming money orders, and are becoming more reluctant to accept them. A safer approach is to cash them at a post office. In this case, the authenticity of the item is immediately determined, and if deemed good, the holder is paid and absolved of further responsibility for the funds.

3.5.4 Money Orders in India

In India, a Money Order is a service provided by the Indian Postal Service. A payer who wants to send money to a payee pays the amount and a small commission at a post office and receives a receipt for the same. The amount is then delivered as cash to the payee after a few days by a postal employee, at the address specified by the payer. A receipt from the payee is collected and delivered back to the payer at his address. This is more reliable and safer than sending cash in the mail. (Bhargav, 2006)

It is commonly used for transferring funds to a payee who is in a remote, rural area, where banks may not be conveniently accessible or where many people may not use a bank account at all. Money orders are the most economical way of sending money in India for small amounts.

3.5.5 Money Orders in the United States

In the United States, money orders are typically sold by third parties such as the United States Postal Service, grocery stores, and convenience stores. Some financial service companies such as banks and credit unions may not charge for money orders to their clients. Money orders remain a trusted financial instrument. In 2005, 889 million money orders were purchased in the United States for a gross transaction volume of #145 billion. (source: Federal Reserve). However, just because a business can issue a money order does not necessarily mean that they will cash them.

3.5.6 International Money Orders

An international money order is very similar in many aspects to a regular money order except that it can be used to make payments abroad. With it, a buyer can easily pay a seller for goods

or services if he or she resides in another country. International money orders are often issued by a buyer's bank and bought in the currency that the seller accepts. International money orders are thought to be safer than sending currency through the post because there are various forms of identification required to cash an international money order, often including a signature and a form of photo identification.

When purchasing an international money order, it is important to ensure that the specific type of money order is acceptable in the destination country. Several countries are very strict that the money order be on **pink and yellow paper** and have the words "**international postal money order.**" The Japan Post (one of the largest banking institutions in the world) requires these features. Most other countries have taken this as a standard when there is any doubt of a document's authenticity. (Bhargav, 2006)

3.5.7 Alternatives to Money Orders

In the last decade, a number of electronic alternatives to money orders have emerged and have, in some cases, supplanted money orders as the preferred cash transmission method. In Japan, the konbini system enables cash to cash transfers and is available at many of the thousands of convenience stores located in the country. Many of these alternatives use the ubiquitous Visa/MasterCard payment systems to settle transactions. In Italy, the PostePay system offered through the Italian post office. In Ireland, 3V is offered through mobile top-up locations, and in the United States, Paid by Cash is offered at 60,000 grocery and convenience stores. (Bhargav, 2006)

4.0 CONCLUSION

One issue that was really a threat to electronic form of business was the payment methods, bearing in mind the frauds. However, several e-payment options that are effective have been developed. Though this has not ruled out the threat of fraud completely, but it has giving occasion for businesses to be transacted electronically, successfully. The variety of payment options matches the concept of Internet marketing that is out to give consumers several options and convenience.

5.0 SUMMARY

Due to the challenge of payment methods over the Internet, several e-payment options have been developed the ease Internet marketing transactions.

For consumers, the difference between a "debit card" and a "credit card" is that the debit card deducts the balance from a deposit account, like a checking account, whereas the credit card allows the consumer to spend money on credit to the issuing bank.

A **debit card** is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it is like writing a cheque as the funds are withdrawn directly from either the bank account (often referred to as a *cheque card*), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card

In the U.S.A, a FSA debit card only allows medical expenses. It is used by some banks for withdrawals from their FSAs, MSAs, and HSAs as well.

Wire transfer is a method of transferring money from one entity to another. A wire transfer can be made from one entity's bank account to the other entity's bank account, and by a transfer of cash at a cash office.

A **money order** is a payment order for a pre-specified amount of money. Because it is required that the funds be prepaid for the amount shown on it, it is a more trusted method of payment than a personal check. Merchants welcome the extra security of a pre-paid money order instead of a personal check, which can bounce.

ANSWER TO SELF ASSESSMENT EXERCISE
See 3.4.5

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe briefly the process banks use to transfer/wire funds electronically.
2. Identify five points associated with debit cards.

7.0 REFERENCES/FURTHER READINGS

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MODULE 3: E-BUSINESS SECURITY

Unit 1: Introduction to E-Business Security Unit
Unit 2: Business Security Challenges
Unit 3: Network Security and Management
Unit 4: Copyright Law and Electronic Access to Information
Unit 5: Internet Firewall and Fraud Prevention

UNIT 1: INTRODUCTION TO E-BUSINESS SECURTIY

CONTENTS

1.0 INTRODUCTION

In the previous module, we discussed the concept and nature of the e-marketing plan. In this unit, we are going to discuss the concept and nature of E-Business Security. Highlight the Security methods, setting up security, the relationship between security and websites, is it necessary, tracking customers and consequences of having no security on your website.

2.0 OBJECTIVES

At the end of this unit, the student is expected to:

- List the various types of security measures for e-commerce
- Assess security measures
- Identify some security measures for a web site
- Explain the relevance of security measures
- Explain the basic principles for customer security
- Track a customer as a security measure.

3.0 MAIN CONTENT

3.1 Computers and Security

Before the Internet, computer security was limited to ‘closed systems’ or network computers such as offices or banks, where only people physically in the office could use the computer system. It was quite easy for the network supervisor to set up user names and passwords, since at that time people have become used to logging on before they can use these types of computers or resources.

With the advent of the Internet, computers users can now work in an 'open system' and security has become much more complicated. Even though you can now connect your home or office computer to the Internet and perform remote transactions without leaving the building you still want to be sure that the transaction is secure. The transaction takes place through the Internet by bouncing the information through various computers before it reaches, for example, the bank's computer. You want to be sure that no one observes the transaction along the way and collects or modifies your transaction information. This is where computer security comes in. There are many different types of security systems, though most use a process called encryption.

When you connect to your bank or other service to make a transaction you are often required to send your account number or user name as well as a Personal Identification Number (PIN) or password for verification. This information should only be sent after establishing a secure connection. If you are using an Internet browser you will see a small closed lock appear in the window of the browser. Once you are connected to a secure server any information you send or receive is scrambled or encrypted using a mathematical formula and then reassembled or decrypted at the other end. The computer user usually will not notice this happening as they perform their secure transaction.

Anyone with criminal intent who intercepts your transaction will be treated to a stream of garbled nonsense. If this is the first time you use a new service you most often will need to setup an account and possibly download a small piece of software called a plug-in, which allows your computer to create the secure connection or link. The transaction often involves the exchange of a small file that keeps track of the transaction and can act as flag or bookmark when you next visit that website. These small files are called cookies and are set by the website you are visiting. They can contain information such as the type of server you are connecting from, the type of browser you are using, the last site you visited and any information you volunteer. You can view the information stored in the cookie. Try a search for 'cookie' to find the cookies folder. Windows users can view any cookies they are storing in the folder

Self-assessment Exercise

Discuss the relationship between Computers and Security

3.2 Security Methods

Encryption

Privacy is handled by encryption. In PKI (public key infrastructure) a message is encrypted by a public key, and decrypted by a private key. The public key is widely distributed, but only the recipient has a key. For authentication (proving the identity of the sender, since only

the sender has the key) the encrypted message encrypted again, but this time with a private key. Such procedures form the basis of RSA (used by banks and governments) and PGP (Good Privacy, used to encrypt emails). Unfortunately, PKI is not an efficient way of sending large amounts of information, and is often used only as a first step — to allow two parties to agree upon a key for symmetric secret key encryption. Here sender and recipient use keys that are generated for the message by a third body: a key distribution center. The keys are not identical, but each is shared with the key distribution center, which allows the message to be read. Then the symmetric keys are encrypted in the RSA manner, and rules set under various protocols. Naturally, the private keys should be kept secret, and most security lapses indeed arise here. Encryption also involves using the key pair but in reverse. Once your message is completed you encrypt the file using the recipient's public key ensuring that only the recipient can ever access that message with their private key

Digital Signatures and Certificates

Digital signatures meet the need for authentication and integrity. To vastly simplify matters (as throughout this page), a plain text message is run through a hash function and so given a value: the message digest. This digest, the hash function and the plain text encrypted with the recipient's public key is sent to the recipient. The recipient decodes the message with their private key, and runs the message through the supplied hash function to that the message digest value remains unchanged (message has not been tampered with). Very often, the message is also times tamped by a third-party agency, which provides non-repudiation.

What about authentication? How does a customer know that the website receiving sensitive information is not set up by some other party posing as the e-merchant? They check the digital certificate. This is a digital document issued by the CA (certification authority: VeriSign, Thawte, etc.) that uniquely identifies the merchant. Digital certificates are sold for emails, e-merchants and web-servers. Digital signature shall be discussed in detail in subsequent units of this course.

Secure Socket Layers

SSL stands for Secure Sockets Layer. This is the technique in which web servers and web browsers encrypt and decrypt all the information that they transmit and receive. Secret decoder rings time. Both ends establish and use the same scheme for making sure that no one else is listening to their conversation. Information sent over the Internet commonly uses the set of rules called TCP/IP (Transmission Control Protocol / Internet Protocol). The information is broken into packets, numbered sequentially, and an error control attached. Individual packets are sent by different routes. TCP/IP reassembles them in order and resubmits any packet showing errors.

SSL uses PKI and digital certificates to ensure privacy and authentication. The procedure is something like this: the client sends a message to the server, which replies with a digital certificate. Using PKI, server and client negotiate to create session keys, which are symmetrical secret keys specially created for that transmission. Once the session keys are agreed, communication continues with these session keys and the digital certificates.

PCI, SET, Firewalls and Kerberos

Credit card details can be safely sent with SSL, but once stored on the server they are vulnerable to outsiders hacking into the server accompanying network. A PCI (peripheral component interconnect: hardware) card is often added for protection, therefore, an approach altogether is adopted.

Developed by Visa and MasterCard, SET (Secure Electronic Transaction) uses PKI for privacy, and certificates to authenticate the three parties: merchant, customer and bank. More importantly, sensitive information is not seen by the merchant, and is not kept on the merchant's server. Firewalls (software or hardware) protect a server, a network and individual PC from attack by viruses and hackers. Equally important is protection from malice or carelessness within the system, and companies use the Kerberos protocol, which uses symmetric secret key Cryptography to restrict access to authorized employees.

3.3 Setting up Security

As most people will not be setting up their own secure server the scope of this section is limited to the topics of protecting e-mail and small business or organizational transactions. E-mail can be protected using a service or an application (program).

There are others but the two that stand out currently are S/MIME and **PGP. S/MIME requires the user to register with a 3-party service which** issues a digital id that you attach to your message. Though this is usually a commercial service there is often a free introductory period. PGP is free for personal use or a commercial application for business use and is run from your own computer. Both methods allow users to sign or attach a digital identification to the email message which verifies, to the recipient, that the message is from the original person or organization and that the information is with in transit. These methods also allow the user to encrypt their message so that anyone intercepting the message wouldn't be able to read it. You can also decide the level of encryption from low; in which a nerd with some good software and enough time on their hands could possibly decrypt to high (128 bit) which would take a whole lot of experts weeks to decrypt if even then. Most of us will choose somewhere in between as this process involves increased time and file size.

Both methods use key pairs of public and private keys. Your public keys are sent to everyone that you communicate through email with.

Your public key can be sent through various methods including posting it to an internet service or sending it as part of an email message. Public keys can also be post on your website in a file. Your friends associated can add your public key to a file called a key ring). When someone wants to send you a secure email the sender encrypts their messages with your public key. When you receive the email, you must decrypt it using your private key. Many email programs will automatically verify that the message is authentic. You will need to type in your password to view the message.
Small businesses and organizations that wish to offer transactions over the Internet or e-business can take their chances and set up an unsecured system, set up their own secure server or purchase a service from a third party. There are various types including service that take a percentage of the transaction and/or charge a service fee and/or charge for each transaction. Some organizations are more reliable and you should always shop around before committing to a service. Because this type of service is so new the length of time a company has been operating is not always a way to decide. Things to watch for are downtime. If your company’s website is operating properly yet the customer or user can't access the transaction server because it is down, too busy or misconfigured they will easily be put off perhaps entirely. Watch for contracts that lock you in as the market is still developing and prices tend to fluctuate. It is easy to switch services by simply changing the address on your website's order forms.

3.4 Security and Websites

As stated at the beginning of this unit, the nature of the Internet is an open system, having said that, there are many reasons and many ways to set up a secure or closed system within this open framework. Private or member-based discussion groups, private files or folders, protected databases, copyright material to name a few all need some way of allowing them to be distributed to the intended recipient only. Also, many businesses are creating Intranets which are closed systems only accessible to registered users. An Intranet can provide a way of making company information easily accessible and allow branch offices to communicate with each other easier.

Account Security

Your website itself is protected by your ISP's software. When trying to access your web space to change or modify a file using a shell or ftp you are challenged to send your username and password. This is the first line of protection and adequate for many website administrators.

Server Security

The server that your website is installed on is the second protection. Most servers have security features built in to them allowing users to password protect folders or build scripts to send a username/password challenge to a user trying to access a file or folder. This allows website administrators the ability to create discussion groups within their site or to place confidential documents or information that is made available only to registered users on their own website. Unfortunately, some ISP either doesn't make this option available, charge a premium to use them or only allow their own employees to set them up.

Third Party Security

Another option includes contracting the protection of private files to a separate service, pay a third party to hosting a private discussion group or obtain web space on another server that allows access to security options. The entire Internet is as close as your computer connection and whether the file the user is viewing is stored in your own current web space or on another server is usually immaterial. When your customers, employees or members moves from one page to another the consistency of the website is the maintained by the design, not the address of the separate pages. It is also possible to control the address that is displayed if required.

Software Security

Another option is to use JavaScript or Java applets to control customers or members access secure features. This option is available to users who are using Java enabled browsers. Scripts and applets can control access to documents and databases, create content on the fly based on user input, detect the browser the visitor is using and direct them to the proper page, retrieve cookies and use that information to determine whether a user has access to a certain area or not, as well as many other uses.

Copyright

Copyright is a protect using the same process as any original material (books, artwork, film, etc...). Anything that a user gets off the Internet should be treated as privately owned information unless otherwise noted. Anyone posting private information to the Internet should be aware that copyright law is not the same in every country and may be difficult to

enforce. It is possible to set up a page that won't be stored on the user's computer once they leave the site but that will only slow down not stop users who want to obtain information posted on a website. Notices of copyright are often added to the main page of a website sometimes with a link to a page describing the details of how the content can be used.

Updating Software

It is very important to update your software periodically. When a program is released, internet browsers, it may contain flaws usually referred to as bugs. These bugs may not appear to be a problem but criminals will attempt to use these flaws for their own use. Keeping your software up to date will help keep your computer secure.

3.5 Is Security Necessary?

Though you may think that it is not necessary to setup security systems there are many reason to consider it. I have come across several examples of people forging documents and email. A digital signature will be the only way to verify whether a document is genuine or not. Many organizations need to discuss draft articles, changes to bylaws and other documents that could cause problems if they were made public before they are approved. A secure directory within your website is an ideal spot to store sensitive material making it available for members and people who have the proper password. I would be remiss to not point out and as all discussions on the subject also point out mining the Internet with malicious intent is also possible. One common malicious act is to search websites for email addresses and then add them to spam distribution lists. Unfortunately, there is very little that can be done to counter this other than removing your email address from your web site but this makes it difficult for your customers to contact you.

Whether you decide to add a security component to your web site project initially it is a good idea to think about or discuss web site security when planning the site. You should also review your security systems periodically whether that is changing your password or reviewing and updating your security system.

3.6 Customer Security: Basic Principles

Most e-commerce merchants leave the mechanics to their hosting company or IT staff, but it helps to understand the basic principles. Any system should meet four requirements:

- Privacy: information must be kept from unauthorized parties.
- Integrity: message must not be altered or tampered with.
- Authentication: sender and recipient must prove their identities to each other.
- Non-repudiation: proof is needed that the message was indeed received.

Transactions

Sensitive information should be protected through at least three transactions:

- Credit card details supplied by the customer, either to the merchant or payment gateway, handled by the server's SSL and the merchant/server's digital certificates.
- Credit card details passed to the bank for processing, handled by the complex security measures of the payment gateway.
- Order and customer details supplied to the merchant, either directly or from the payment gateway/credit card processing company, handled by SSL, server security, digital certificates (and payment gateway sometimes).

3.7 Practical Consequences

1. The merchant is always responsible for security of the Internet connected PC where customer details are handled. Virus protection and a firewall are the minimum requirement to be safe, store sensitive information and customer details on zip-disks, a physically separate PC or with a commercial file storage service. Always keep multiple back-ups of essential information, and ensure they are stored safely off-site.
2. Where customers order by email, information should be encrypted with PGP or similar software. Or payment should be made by specially encrypted checks and ordering software.
3. Where credit cards are taken online and processed later, it's the merchant's responsibility to check the security of the hosting company's webserver. Use a reputable company and demand detailed replies to your queries.
4. Where credit cards are taken online and processed in real time, four situations arise:

i. You use a service bureau. Sensitive information is handled entirely by the service bureau, which is responsible for its security. Other customer and order details are your responsibility as in 3 above.

ii. You possess an e-business merchant account but use the digital certificate supplied by the hosting company, a cheaper option acceptable for smallish transactions with SMEs. Check out the hosting company, and the terms and conditions applying to the digital certificate.

iii. You possess an e-business merchant account and obtain your own digital certificate (costing some hundreds of dollars). Check out the hosting company, and enter a dialogue with the certification authority: they will certainly probe your credentials.

iv. You possess a merchant account, and run the business from your own server. You need trained IT staff to maintain all aspects of security-firewalls, Kerberos, SSL, and a digital certificate for the server (costing thousands or tens of thousands of dollars).

Security is a vexing, costly and complicated business, but a single lapse can be expensive in lost funds, records and reputation. Do not wait for disaster to strike, but stay proactive, employing a security expert where necessary. Sites on our resources page supplies details.

3.8 Tracking the Customer

Of primary importance in any transaction is that the customer feels comfortable with your communication. To make it seem like the website is talking to each customer individually you must track who the customer is and what he is interested in. The most common way this is achieved on the web is with the shopping cart concept. This allows many different people to be shopping on your site and all have their own sets of items in their cart. In our fax back example, you would have to use something like the fax number to keep track of each customer. The equivalent with the web would be the IP number (known as IP tracking).

The one major difference is that a customer's fax number doesn't change very often, while a customer's IP number can change every time that they connect to the Internet -- for those people using dial up accounts or other dynamic addressing situations -- so IP numbers are not an able way to track customers. Another common tracking technique is cookies. You can have your website put a cookie onto the customer's machine so that it maintains important information, like the contents of their shopping cart. A better technique that I have found is tag propagation. This is a technique in which the first page that someone hits when they enter the site assigns a unique number, something like the number of seconds since 1904. This

number is in turn passed thru every page on the site and the shopping cart information is stored in a file with that number on the server. This allows a customer to disconnect (by choice or happenstance) from the Internet and not lose the shopping cart information. This can be very important in situations where buying approval from someone else required for the purchase. Most of the commercial products include a way of doing this. With Web Catalog, you insert a cart [cart] parameter into every HREF and form on your site.

Tracking the customer is very useful not just for the convenience of a shopping cart, but for things like tracking down people that you think are using stolen cards and, more importantly for that all allusive goal, to make the site more usable. Correlating this tracking information with the general web server logs can be used to determine trends of the people visiting your site, are they getting all the information they need to make a buying decision, are they understanding the buying process, are they losing interest after a certain amount of time. One big advantage of this tracking log is to look for all the searches that people are doing on your site and were they are not finding any products. Maybe you can subscribe to the products more effectively. These answers can help you understand ways to change your site to make it more useful.

3.9 Security Concerns

Areas That Need Security

As mentioned in the section about SSL, we do want to protect transmission of sensitive information with something like SSL to keep the eavesdroppers away, but another equally important issue for security is protection from attacks on your web server. People trying to find credit card numbers in accounting logs or just trying to steal products, to buy at ridiculously low or free prices. Prevention of this type of security breach is the most overlooked area. Much of the information on the machine should not be allowed any access.

The first obvious area to secure is the accounting files. Let's say the web server is doing a great job of keeping people out of sensitive areas, but the same machine is also your ftp server. People are prevented by the web server from getting to your accounting log, but maybe there is a security hole because your ftp server software allows access to this log, so my first advice, limit the access protocols to all sensitive data -- 1) store your accounting logs and other sensitive files outside of the web server folder, Web Star and many other web server products will not serve files outside of their folder tree, 2) don't run ftp and other protocol services on the same machine. Also, make sure that if you are delivering electronic product, only the person that bought it, gets it. For this you should either be copying the product to some unique place only that person is given access to or have a onetime password scheme allowing only one shot at downloading the product. The concern of the web server allowing access to files that are sensitive is best taken care of by your disk organization. Below is a screen shot of a sample organization of your web server folder structure using Web Star and Web Catalog.

Areas That Do Not Need Security

There are many areas within the selection and buying process that are considered public information and therefore don't need security. In fact, the whole process would be slowed down if it sent everything through a SSL server. Imagine if you received a mail-order catalog from Mac Warehouse or Club-Mac and you had to put a decoder ring over each letter to figure out what it really was, that would take you hours just to read one page. That is what your browser is doing with SSL data. So, big picture, you only want to use SSL when you are

expecting sensitive data from the customer, like a credit card number. Protect that from eavesdroppers with SSL, everything else should go thru the non-SSL server.

4.0 CONCLUSION

At the end of this unit, we were able to discuss the concept and nature of E-Business Security. Highlight the Security methods, setting up security, the relationship between security and websites, is it necessary, tracking customers and consequences of having no security on your website.

5.0 SUMMARY

- There are a lot of discussions these days about e-commerce security as more people use email and more services such as banking and retail subscriptions become available through the Internet.
- Digital signatures meet the need for authentication and integrity. To vastly simplify matters (as throughout this page), a plain text message is run through a hash function and so given a value: the message digest.
- Email can be protected using a service or an application (program). There are others but the two that stand out currently are S/MIME and PGP. S/MIME requires the user to register with a 3-party service which issues a digital id that you attach to your message.
- As was stated at the beginning of this unit, the nature of the Internet is an open system. Having said that there are many reasons and many ways to set up a secure or closed system with in this open framework.
- Though you may think that it is not necessary to setup security systems, there are many reasons to consider it. I have come across several examples of people forging documents and email. Digital signature will be the only way to verify whether a document is genuine or not.
- Before the Internet, computer security was limited to 'closed systems' or network computers such as offices or banks where only people physically in the office could use the computer system. It was quite easy for the network supervisor to set up user names and passwords and since that time people have become used to logging on before they can use these types of computers or resources.
- Most e-commerce merchants leave the mechanics to their hosting company or IT staff, but it helps to understand the basic principles.
- Of primary importance in any transaction is that the customers feel comfortable with your communication. To make it seem like the website is talking to each customer individually you must track who the customer is and what they are interested in
- The first obvious area to secure is the accounting files. Let's say the web server is doing a great job of keeping people out of sensitive areas, but the same machine is also your ftp server.

ANSWER TO SELF-ASSESSMENT EXERCISE

See 3.1

6.0 TUTOR-MARKED ASSIGNMENT

1. Mention 5 security methods for e-commerce security
2. Mention 4 basic requirements of any system to secure a customer within the context of this unit.

7.0 REFERENCES/FURTHER READINGS

Okereke. G.C. (2009) *BHM733 E-Business Security.* National Open University of Nigeria; Lagos. ISBN: 978-058-439-0.

Alter. S. (2001) *Information Systems: Foundation of E-Business*. 4th Ed. Prentice Hall PTR Upper Saddle River, NJ, USA. ISBN:0130617733.

UNIT 2: BUSINESS SECURITY CHALLENGES

CONTENTS

1.0 INTRODUCTION

In the previous unit, we discussed the relationship between computers and security. In this unit we are going to discuss the challenges that businesses face with e-security.
The new millennium brought with it new possibilities in terms of formation access and availability, simultaneously introducing new challenges in protecting sensitive information from some eyes while making it available to others. The Internet allows businesses to use information more effectively, by allowing customers, suppliers, employees, and partners to get access to the business information they need, when they need it. These Internet-enabled services all translate to reduced cost: there are less overhead, greater economies of scale, and increased efficiency. E-business' greatest promise is timelier, more valuable information accessible to more people, at reduced cost information access. With the changes in business operations because of the Internet era, security concerns move from computer labs to the front page of newspapers. The promise of e-business is offset by the security challenges associated with the disintermediation of data access.

One security challenge results from "cutting out the middleman," that too often cuts out the information security the middleman knows, for example the expansion of the user community from a small group of known, vetted users accessing data from the intranet, to thousands of users accessing data from the Internet. Application service providers (ASP) and exchanges offer especially stringent-and sometimes contradictory-requirements of per user and per customer security, while allowing secure data sharing among communities of interest.

E-business depends on providing customers, partners, and employees with access to information, in a way that is controlled and monitored. Technology must provide security to meet the challenges encountered by e-businesses. Virtually all software and hardware vendors claim to build secure products, but what assurance does an e-business have of a product's security? E-businesses want a clear answer to the conflicting security claims they hear from vendors. How can you be confident about the security built into a product? Independent security evaluations against internationally-established security criteria provide assurance of vendors' security claims.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the greatest promises of e-business
- understand the needs for the security of e-business
- discuss cases of problems encountered in e-business transactions.

3.0 MAIN CONTENT

3.1 The Needs of E-Business Security

While putting business systems on the Internet offers potentially unlimited opportunities for increasing efficiency and reducing cost, it also offers potentially unlimited risk. The Internet provides much greater access to data, and to more valuable data, not only to legitimate users, but also to hackers, disgruntled employees, criminals, and corporate spies.

Increased Data Access

One of the chief e-business benefits of the Internet is "disintermediation." The intermediate information processing steps that employees typically perform in "brick and mortar" businesses, such as typing in an order received over the phone or by mail, are removed from the e-business process. Users who are not employees and are thus outside the traditional corporate boundary, including customers, suppliers, and partners, can have direct and immediate online access to business information which pertains to them.

In a traditional office environment, any access to sensitive business information is through employees. Although employees are not always reliable, at least they are known, their access to sensitive data is limited by their job function, and access is enforced by physical and procedural controls. Employees who pass sensitive information outside the company contrary to policy may be subject to disciplinary action; the threat of punishment thus helps prevent unauthorized access. Making business information accessible via the Internet vastly increases the number of users who may be able to access that information. When business is moved to the Internet, the environment is drastically changed. Companies may know little or nothing about the users (including, in many cases, employees) who are accessing their systems.

Even if they know who their users are, it may be very difficult for companies to deter users from accessing information contrary to company policy. It is therefore important that companies manage access to sensitive information, and prevent unauthorized access to that information before it occurs.

Much More Valuable Data

E-business relies not only on making business information accessible outside the traditional company, it also depends on making the best, most up-to-date information available to users when they need it. For example, companies can streamline their operations and reduce overhead by allowing suppliers to have direct access to consolidated order information. This allows companies to reduce inventory by obtaining exactly what they need from suppliers when they need to streamline information flow through the business system allows users to obtain better information from the system. Now, businesses that allow other businesses and consumers to submit and receive information directly through the Internet can expect to get more timely, accurate, and valuable information, at less expense than if traditional data channels were used.

Formerly, when information was entered a business system, it was often compartmentalized. Information maintained by each internal department, such as sales, manufacturing, distribution, and finance, was kept separate, and was often processed by physically separate incompatible databases and applications—so-called "islands of information." Companies have found that linking islands of information and consolidating them where possible, allows users to obtain better information, and to get more benefit from that information, which thus makes the information more valuable. Improving the value of data available to legitimate

users increases its value to intruders as well, increasing the potential rewards to be gained from unauthorized access to that data, and the potential damage that can be done to the business if the data were corrupted. In other words, the more effective an e- business system is, the greater the need to protect it against unauthorized access.

Scalability with Large User Communities

The sheer size of the user communities which can access systems via the Internet not only increases the risk to those systems, it also constrains the solutions which can be deployed to address that risk. The Internet creates challenges in terms of scalability of security mechanisms, management of those mechanisms, and the need to make them standard and interoperable. Security mechanisms for Internet enabled systems must support much larger communities of users than systems that are not Internet-enabled. Whereas the largest traditional enterprise systems typically supported thousands of users, many Internet-enabled systems have millions of users.

Manageability

Traditional mechanisms for identifying users and managing their access, such as granting each user an account and password on each system he accesses, may not be practical in an Internet environment. It rapidly becomes too difficult and expensive for system administrators to manage separate accounts for each user on every system.

Interoperability

Unlike traditional enterprise systems, where a company owns and controls all components of the system, Internet-enabled e-business systems must exchange data with systems owned and controlled by others: customers, suppliers, partners, etc. security mechanisms deployed in e-business systems must therefore be standards based, flexible, and interoperable, to ensure that they work with others' systems. They must support browsers, and work in multi-tier architectures with one or more middle tiers such as web servers and application servers.

Hosted Systems and Exchanges

The principal security challenge of hosting is keeping data from different hosted user communities separate. The simplest way of doing this is to create physically separate systems for each hosted community. The disadvantage of this approach is that it requires a separate computer, with separately installed, managed, and configured software, for each hosted user community, providing little economies of scale to a hosting company. Mechanisms that allow multiple different user communities to share a single hardware and software instance, keep data for different user communities separate, and allow a single administrative interface for the hosting provider, can greatly reduce costs for the hosting service provider. Exchanges have requirements for both data separation and data sharing. For example, an exchange may ensure that a supplier's bid remains unviable by other suppliers, yet allow all bids to be evaluated by the entity requesting the bid. Furthermore, exchanges may also support "communities of interest" in which groups of organizations can share data selectively, or work together to provide a joint bid, for example. Assurance E-businesses need some form of assurance of the security provided in the technology products they purchase. For such assurance, there are international standards used to validate vendors' security claims against established criteria in formal evaluations.

Security evaluations are carried out by independent, licensed and accredited organizations. The evaluation process, from inception to certificate, often lasts up to a full year (and

sometimes longer). Vendors who have undergone evaluations of their products learn to improve upon their development, testing and shipping processes because of completing the demanding process. Security evaluations are perhaps the most effective way to qualify a vendor's assertions about its security implementations. Is a product that has not completed such evaluations secure enough to run an e-business? Is it securing enough to protect an organization's most sensitive data? E-businesses demand that the software and hardware vendors they select ship certified provably secure products. Assurance afforded by independent security evaluations lets E-businesses'' be assured of the products they purchase and deploy.

SELF-ASSESSMENT EXERCISE

Identify and explain the need for e-business security

2. Information Systems Breakdowns

Businesses that depend on computer face lots of threats and breakdown. The following incidents and cases illustrate representative cases of breakdowns in the information systems of e-businesses.

Incident 1

For almost two weeks in 1993, a seemingly legitimate automated teller machine (ATM) operating in a shopping mall near Hartford, Connecticut gave consumers apologetic notes that said "sorry, transactions are possible". Meanwhile the machine recorded the card numbers and the personal identification numbers that hundreds of customers entered in their vain attempt to make the machine dispense cash. On May 8, 1993, while the dysfunctional machine was resulting in the shopping mall, thieves started tapping into the 24-hour automated teller network in New York City. Using counterfeit bank cards encoded with the numbers stolen from the Hartford customers, the thieves removed almost #100,000 dollars from the accounts of innocent customers. The criminals were successful in making an ATM machine do what it was supposedly not designed to do, breach its own security by recording bank card numbers together with personal security codes. (Lord et al, 2002)

Incident 2

In 1994, a Russian hacker who did not know English broke Citibank electronic fund transfer system and stole more than #10 million by wiring it into accounts around the world. Since then, Citibank, a giant bank that moves half a trillion dollars a day, increased its security, requiring customers to use electronic devices that create new passwords very frequently. (Lord et al, 2002).

Incident 3

According to Wall Street Journal, the Bank of Tokyo–Mitsubishi branch in New York and the National Westminster Bank in the UK reported losses of tens of millions of dollars in 1996v due to errors in their options and derivatives trading models. I both cases, the losses went undetected for a long time. In the first case the trading model was found to be inaccurate, in the second case the model was fed inaccurate data. (Lord et al, 2002).

Incident 4

Netscape security is aimed at scrambling sensitive financial data such as credit card numbers and sales transactions so they would be safe from break-ins, by using a powerful 128-bit program. However, using 120 powerful workstations and two supercomputers, in 1996 a French student breached the encryption program in eight days, demonstrating that no program is 100 percent secure. (Lord et al, 2002).

Incident 5

In 1996, the Los Angeles Times reported "Computer makes #850 million error in Social Security". The glitch shortchanged about 700,000 Americans in retirement benefits and had been undetected for almost 23 years until it was discovered during an audit in 1994. While the newspaper blamed the computer, the fault is that of the programmers who were unable to properly automate the complex computations of the benefits. It took more than three years to fix the problem. (Lord et al, 2002).

Incident 6

A Tarrant County, TX jury found Donald Burleson guilty of harmful access to a computer, a third-degree felony with a maximum penalty of 10 years in prison and a #5,000 fine. Jurors were told that the man planted a virus in a computer system that was used to store records by an insurance and brokerage firm. The virus was programmed like a time bomb and was activated two days after the man was fired from his job. The virus eliminated 168,000 payroll records, which resulted in a one month delay in issuing employee's payroll checks. (Lord et al, 2002).

Incident 7

In 1999, a fire disabled a major Illinois Bell switching center. The outage affected the voice and data communications of more than one half million residents and hundreds of businesses during a period ranging from two days to three weeks. The major effects on business were the following:

- Dozens of banks were hindered in cashing checks and transferring funds.
- At least 150 travel agencies were hindered in their ability to make reservations and print tickets
- About 300 automated teller machines were shut down
- Most of the cellular phones and paging systems in the area were disrupted
- Hundreds of companies were hindered in their communications, both inside and outside the immediate area. (Lord et al, 2002)

4.0 CONCLUSION

E-business depends on providing customers, partners, and employees with access to information, in a way that is controlled and monitored. E-business security is a multifaceted challenge and requires the coordination of business policy and practice with appropriate technology. In addition to deploying standards bases, flexible and interoperable systems, the technology must provide assurance of the security provided in the products. As technology matures and secure e-business systems are deployed, companies will be better positioned to manage the risks associated with disintermediation of data access. Through this process businesses will enhance their competitive edge while also working to protect critical business

infrastructures from malefactors like hackers, disgruntled employees, criminals and corporate spies.

5.0 SUMMARY

- The new millennium brought with it new possibilities in terms of information access and availability, simultaneously introducing new challenges in protecting sensitive information from some eyes while making it available to others.
- While putting business systems on the Internet offers potentially unlimited opportunities for increasing efficiency and reducing cost, it also offers potentially unlimited risk.
- The principal security challenge of hosting is keeping data from different hosted user communities separate.
- Businesses that depend on computer face lots of threats and breakdown.
- For almost two weeks in 1993, a seemingly legitimate automated teller machine (ATM)
  operating in a shopping mall near Hartford, Connecticut gave consumers apologetic notes that said "sorry, no transactions are possible".
- In 1999, a fire disabled a major Illinois Bell switching center. The outage affected the voice and data communications of more than one-half million residents and hundreds of businesses during a period ranging from two days to three weeks.
- E-business depends on providing customers, partners, and employees with access to information, in a way that is controlled and secure.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly discuss the valuing of data as a need for e-business security.

Answer to self-assessment exercise

See 3.1

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UNIT 3: NETWORK SECURITY AND MANAGEMENT CONTENTS

CONTENTS

1.0 INTRODUCTION

In this unit, we are going to discuss the concept of Network Security and Management. We will highlight the attributes of a secure network, levels of security management, management functional areas, common implementations and case requirements for e-businesses.

2.0 OBJECTIVES

At the end of this unit you should be able to:

- define network security and management
- identify the attributes of a secure network
- identify the components of a functional architecture of network management
- explain the levels of network management and how they differ from one another
- identify the constituents of Management Functional Areas (MFAs)
- define how to implement network security and management.

3.0 MAIN CONTENT

3.1 Attributes of a Secure Network

Network security starts from authenticating any user, most likely a username and a password. Once authenticated, a state firewall enforces access policies such as what services are allowed to be accessed by the network users. Though effective to prevent unauthorized access, this component fails to check potentially harmful contents such as computer worms being transmitted over the network. An intrusion prevention system (IPS)[2] helps detect and prevent such malware. IPS also monitors for suspicious network traffic for contents, volume and anomalies to protect the network from attacks such as denial of service.

Communication between two hosts using the network could be encrypted to maintain privacy. Individual events occurring on the network could be tracked for audit purposes and for a later high level analysis. Honeypots, essentially decoy network-accessible resources, could be deployed in a network as surveillance and early-warning tools. Techniques used by the attackers that attempt to compromise these decoy resources are studied during and after an attack to keep an eye on new exploitation techniques. Such analysis could be used to tighten security of the actual network being protected by the honeypot.

3.2 Functional Architecture

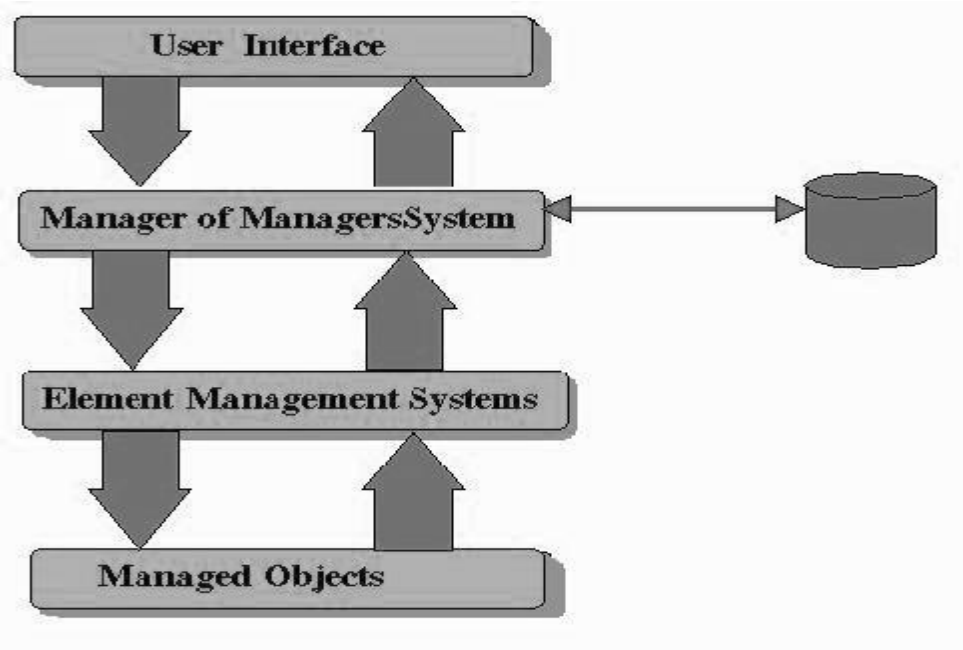

Figure 8 Defining the Pieces (Kellogg, 2007)

Network management systems have four basic levels of functionality. Each level has a set of tasks defined to provide, format, or collect data necessary to manage the objects. Figure 1 illustrates these four levels of functionality.

Managed Objects

Managed Objects are the devices, systems and/or anything else requiring some form of monitoring and management. Most implementations leave out the "anything else" clause because they usually don't have the business case requirements before the design, therefore they design as they go.

Some examples of managed objects include routers, concentrators, hosts, servers and applications like Oracle, Microsoft SMS, Lotus Notes, and MS Mail. The managed object does not have to be a piece of hardware but should rather be depicted as a function provided on the network.

Element Management Systems (EMS)

An EMS manages a specific portion of the network. For example Sun Net Manager, an SNMP management application, is used to manage SNMP manageable elements. Element Managers may manage a sync lines, multiplexers, PABX's, proprietary systems or an application.

Manager of Managers Systems (MoM)

MoM systems integrate the information associated with several element management systems, usually performing alarm correlation between EMS's. There are several different products that fall into this category to include Boole & Babbage's Command Post, Nynex All Link, International Telematics MAXM, OSI Net Expert and others. The actual data to be collected comes from the managed object, in most cases. This data is collected by the EMS systems which in turn consolidates the data in a database for processing and retrieval.

User Interface

The user interface to the information, whether real time alarms and alerts or trend analysis graphs and reports, is the principal piece to deploying a successful system. If the information gathered cannot be distributed to the whole MIS organization to keep people informed and to enable team communications, the real purpose of a Network Management system is lost in the implementation. Data doesn't mean anything if it is not used to make informed decisions about the optimization of systems and functions.

These systems components are, in turn, mapped back to what is called Management Functional Areas (MFAs). These MFAs are the wish list of which areas in which management applications as a system focus their attention.

3.3 Levels of Security Management

Security Management for networks is different for all kinds of situations. A small home or an office would only require basic security while large businesses will require high maintenance and advanced software and hardware to prevent malicious attacks from hacking and spamming.

Small Homes

- A basic firewall

  For Windows users, basic Antivirus software like McAfee, Norton Anti-Virus, AVG Antivirus or Windows Defender, others may suffice if they contain a virus scanner to scan for malicious software.

- When using a wireless connection, use a robust password.

Medium Businesses

- A fairly strong firewall
- A strong Antivirus software and Internet Security Software.
- For authentication, use strong passwords and change it on a bi- weekly/monthly basis.
- When using a wireless connection, use a robust password.
- Raise awareness about physical security to employees.
- Use an optional network analyzer or network monitor.

Large Businesses

- A strong firewall and proxy to keep unwanted people out.
- A strong Antivirus software and Internet Security Software.
- For authentication, use strong passwords and change it on a weekly/bi-weekly basis.
- When using a wireless connection, use a robust password.
- Exercise physical security precautions to employees.
- Prepare a network analyzer or network monitor and use it when needed.
- Implement physical security management like closed circuit television for entry areas and restricted zones.
- Security fencing to mark the company's perimeter.
- Fire extinguishers for fire-sensitive areas like server rooms and security rooms.
- Security guards can help to maximize security.

School

- An adjustable firewall and proxy to allow authorized users access from the outside and inside.
- A strong Antivirus software and Internet Security Software.
- Wireless connections that lead to firewalls.
- CIPA compliance.
- Supervision of network to guarantee updates and changes based on popular site usage. Constant supervision by teachers, librarians, and administrators to guarantee protection against attacks by both Internet and sneaker net sources.

Large Government

- A strong firewall and proxy to keep unwanted people out.
- A strong Antivirus software and Internet Security Software.
- Strong encryption, usually with a 256 bit key.
- Whitelist authorized wireless connection, block all else.
- All network hardware is in secure zones.
- All hosts should be on a private network that is invisible from the outside.
- Put all servers in a DMZ, or a firewall from the outside and from the inside.
- Security fencing to mark perimeter and set wireless range to this.

3.4 Management Functional Areas (MFAs)

The most common framework depicted in Network management designs is centered on the Open Systems Interconnect (OSI) "FCAPS" model of MFAs. However, most network management implementations do not really cover these areas. Other areas that may be important to the e-business/MIS function and to specific business units within the company may not be addressed at all.

FCAPS is an acronym explained as follows:

- Fault Management
- Configuration Management
- Accounting
- Performance Management
- Security Management

Some of the other areas covered under Management Functional Areas include:

- Chargeback
- Systems Management
- Cost Management
- Fault Management

Fault management is the detection of a problem, fault isolation and correction to normal operation. Most systems poll the managed objects search for error conditions and illustrate the problem in either a graphic format or a textual message. Most of these types of messages are setup by the person configuring the polling on the Element Management Systems. Element Management Systems collect data directly from a log printer type output receiving the alarm as it occurs.

Fault management deals most commonly with events and traps as they occur on the network. Keep in mind though, that using data reporting mechanisms to report alarms or alerts is the

best way to accomplish health checks of specific managed object's performance without having to double the amount of polling being accomplished.

Configuration Management

Configuration management is probably, the most important part of network management in that you cannot accurately manage a network unless you can manage the configuration of the network. Additions and deletions from the network need to be coordinated with the network management systems personnel. Dynamic updating of the configuration needs to be accomplished periodically to ensure the configuration is known.

Accounting

The accounting function is usually left out of most implementations in that LAN based systems are said to promote accounting type functions until one gets into the Hosts such as IBM Mainframe or Digital VAX's. Others rationalize the accounting is a server specific function and should be managed by the System administrators.

Performance Management

Performance is a key concern to most MIS support people. Although, it is high on the list, it is considered difficult to be factual about some LAN performance issues unless employing RMON technology. (This is one of those examples of throwing money at a problem.) RAM Pods are very useful, one should carefully weigh what's pertinent to what can be accomplished in other ways without having to spend a bundle. Performance of Wide Area Network (WAN) links, telephone trunk utilization, etc, are areas that must be revisited on a continuing basis as these are some of the areas easiest to optimize and realize savings.

Systems or applications performance is another area in which optimization can be accomplished but most network management applications don't address this in a functional manner.

Security Management

Most network management applications only address security applicable to network hardware such as someone logging into a router or bridge. Some network management systems have alarm detection and reporting capabilities as part of physical security (contact closure, fire alarm interface, etc.) None really deal with system security as this is a function of System administration.

Chargeback

Chargeback has been done for years in the large mainframe environments and will continue to be accomplished as it is a way to charge the end user for only the specific portion of the service that he or she uses. Chargeback on Local Area Networks presents new challenges in that so many services are provided. In many implementations, chargeback is accomplished on the individual Server providing the service. While chargeback is very difficult on broadcast based networks such as Ethernet, it is realizable on networks that dynamically allocate bandwidth as the end users' needs dictate (ATM). As technology associated with monitoring LAN and WAN networks evolves, chargeback will be integrated into more and more systems.

Systems Management

Systems Management is the management and administration of services provided on the network. A lot of implementations leave out this very crucial part in that this is one of the areas in which management systems can show significant capabilities, streamline business processes, and save the customer money with just a little work. There are many good COTS products available to automate system administration functions and these products can be easily integrated into the overall Network Management system very easily.

Cost Management

Cost management is an avenue in which the reliability, operability and maintainability of managed objects are addressed. This one function is an enabler to upgrade equipment, delete unused services and tune the functionality of the Servers to the services provided. By continuously addressing the cost of maintenance, Mean Time Between Failure (MTBF), and Mean Time to Repair (MTTR) statistics, costs associated with maintaining the network as a system can be tuned. This area is an MFA that is driven by I/T management to address getting the most performance from the money allocated.

3.5 Common Implementations

Most implementations of medium and large network management systems center on a Network Management Center of some sort. From this location, all data is sent and processed. While several EMS's are used to manage their specific areas, all the data comes back to the Manager of Managers application. Most fault detection, isolation and troubleshooting is accomplished in the Network Management Center and technicians dispatched when the problem has been analyzed as far as possible. Several company locations may be involved in the overall network spanning thousands of miles and around the globe.

Management Focus

The management focus for this scenario is on the Network Management Center driving the total operation. Detection, troubleshooting and dispatching is accomplished from the NMC. This operational focus is a carryover from the old Net view days in that the center of the picture was a huge IBM Mainframe that did all the work. If you don't have a Network Management Center today, consider what it will cost not only for the hardware and software, but the people to accomplish this and their level of expertise.

The Right Implementation

If you, as an MIS Manager, are looking at the benefits of Network management to reduce downtime and overall cost to your business, make sure that the business case requirements drive the implementation and not the implementation drive the business cases.
As a systems integrator, make sure the requirements are accomplished before any implementation. When the requirements are put in place, it is your job as an Engineer to make sure management is informed as to what each implementation segment will cost along with what that capability brings to the overall MIS function.

3.6 Business/E-Business Case requirements

In today's world, any implementation must follow the business case associated with what will be implemented. The implementation must solve a business problem or increase efficiency of

the current methods of accomplishing work while reducing overall costs. If the solution does not save money while providing a better service, it probably is not worth accomplishing.

Definition

The hardest part of building a business case is the gathering of the information. One must define the problem at hand in a general sense so that you can look for specific problems network management can address in that area. The developer of the business case must look at the current way each section accomplishes its day to day work. The case for network management can be defined by documenting current work processes that may be automated by the system. Each of the work processes to be automated need to be documented and addressed in the system design and implementation. Look for ways to save the organization money. Keep addressing getting the MIS organization and the services they provide, more efficient.

Levels of Activity

There are four levels of activity that one must understand before applying management to a specific service or device. These four levels of activity are as follows:

- **Inactive**

This is the case when no monitoring is being done and if you did receive an alarm in this area, you would ignore it.

- **Reactive**

This is where you react to a problem after it has occurred and monitoring has been applied.

- **Interactive**

This is where you are monitoring components but must interactively troubleshoot to eliminate the side effect alarms and isolate to a route.

- **Proactive**

This is where you are monitoring components and the system provides a root cause alarm for the problem at hand and automatic routes are in place where possible to minimize downtime.
These four levels of activities outline exactly how your support organization is dealing with problems today and where you, as an MIS manager want them to be in terms of goals. Within the organization are teams with different goals and focuses (i.e. proxy support, desktop support, network support, etc.). Keep in mind that a specific alarm may warrant an inactive approach by one team, to another team it may demand a proactive approach. Keep these goals in mind when gathering requirements for network management. Today's Implementations of the network management implementations done today, very few really address the needs of the business. Most are implemented with good intentions but are focused away from increasing efficiency.

In a multiple site network, there are technicians, engineers and support personnel at each major location as required. No one knows those local environments better than the people having to do the work. No one knows the people of the organization better than the Help Desk staff as they are the first line of communication between the people and the MIS support organization.

Network management elements are considered, among other things, tools in which troubleshooting can be accomplished. The local support staff could benefit greatly from the use of these systems as a tool. As such, most implementations give read-only access to these systems. The ability to focus these tools at a local level is paramount to increasing the effectiveness to the local support staff. In some implementations, where read/write access is provided, it is accomplished through X-Windows which doesn't work very well across low speed links. Most implementations focus these tools at a global level in that they are in the Network Command Center. When a trouble ticket is generated from the NCC, it reflects a problem or symptom generated by the network management elements and/or the Manager of Managers.

Sometimes, the local technician cannot relate to this symptom because he or she doesn't understand where this message came from or why. Without access to the management element and familiarity with the product, they usually start off problem isolation in a "cloud" looking for the problem. When a global problem occurs, in these scenarios, the information is concentrated and orchestrated by the Network Command Center. Additionally, an outage can black out management of a geographic location by centralizing the management resources

System Focus

The ideal network management system should be designed and implemented around the real work processes. It should focus the tools toward those staff members supporting the managed area in a manner which makes their job easier and faster. Information associated with a problem or symptom should mean something to the support personnel.

If they see the problem at a glance, they should know which specific area that problem belongs and what to do to get started in the trouble isolation process. Other personnel in the organization should know that a specific technician is considering the problem as the problem may be affecting other areas. Help Desk personnel should know what is happening and who is working on what at a glance. If they are not familiar with the system in question, they should have adequate information at their fingertips to guide them in what to do, who to call, and what steps to take, even what questions to ask. Additionally, the problems that affect other sites should be available to those personnel at a glance. The information must be at the fingertips of the other sites' Help Desk personnel so that they know, in near real time, what is going on. See how the focus of information should be; local when it is a local problem and global when it is a global problem. Also, the associates are more focused on the local situation and not the global picture.

Network management across low speed wide area links doesn't really make sense. Bandwidth of this type is costly compared to LAN bandwidth in that there are the monthly charges for the links. Consider also that most WAN links are interconnected by bridges or routers. On the back side of these devices are networks capable of 10 Mbps, 16 Mbps or even 100 Mbps. On the link side you see 1.544 Mbps, 512kbps or even 19.2kbps links. Actual polling of network management elements (SNMP) could consume these links drastically reducing the operational capabilities of the link. The question to ask is Do you want to increase *the bandwidth across these links just for network management or do you want to distribute the management polling to local area concentrations and just pass the real alarm information?*

4.0 CONCLUSION

At the end of this unit, we were able to discuss the concept of Network Security and Management. We highlighted the attributes of a secure network, levels of security

management, management functional areas, common implementations and case requirements for e-businesses.

5.0 SUMMARY

- Network security consists of the provisions made in an underlying computer network infrastructure, policies adopted by the network administrator to protect the network and the network-accessible resources from unauthorized access and the effectiveness (or lack) of these measures combined.
- Network security starts from authenticating any user, most likely a username and a password. Once authenticated, a stately firewall enforces access policies such as what services can be accessed by the network users.
- Network management systems have four basic levels of functionality. Each level has a set of tasks defined to provide, format, or collect data necessary to manage the objects.
- Security Management for networks is different for all kinds of situations. A small home or an office would only require basic security while large businesses will require high maintenance and advanced software and hardware to prevent malicious attacks from hacking and spamming.
- The most common framework depicted in Network management designs is centered on the Open Systems Interconnect (OSI) "FCAPS" model of MFAs.
- Most implementations of medium and large network management systems center on a Network Management Center of some sort. From this location, all data is sent and processed. While several EMS's are used to manage their specific areas, all of the data comes back to the Manager of Managers application.
- In today's world, any implementation must follow the business case associated with what will be implemented. The implementation must solve a business problem or increase efficiency of the current methods of accomplishing work while reducing overall costs.

6.0 TUTOR-MARKED ASSIGNMENT

1. List 5 security management for a medium-scale business.
2. Briefly discuss the Levels of Activity in Business/e-business Case Requirements.

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UNIT 4: COPYRIGHT LAW AND ELECTRONIC ACCESS TO INFORMATION CONTENT

CONTENTS

1.0 INTRODUCTION

In the previous unit, we discussed the concept of Network Security and Management. In this unit, we are going to discuss the nature of copyright laws and electronic access to information. We will also discuss obtaining and enforcing copyright, gaining exclusive rights, the limitations and exceptions to copyrights and highlighting the Anti-Counterfeiting Trade Agreement.

2.0 OBJECTIVES

At the end of this unit you should be able to:

- define and know the concept of copyright
- trace the history and development of copyright
- answer the question of the scope and justification in applying copyright
- understand how to obtain and enforce copyright
- explain the limit and exceptions to copyright.

3.0 MAIN CONTENT

3.1 History

Copyright was invented after the advent of the printing press and with wider public literacy. As a legal concept, its origins in Britain were from a reaction to printers' monopolies at the beginning of the eighteenth century. Charles II of England was concerned with the unregulated copying of books and passed the Licensing Act of 1662 by Act of Parliament, which established a register of licensed books and required a copy to be deposited with the Stationer's Company, essentially continuing the licensing of material that had long been in effect.

The British Statute of Anne (1710) further alluded to individual rights of the author, beginning: “Whereas Printers, Booksellers, and other Persons, have of late frequently taken

the Liberty of Printing Books, and other Writings, without the Consent of the Authors... to their very great Detriment, and too often to the Ruin of them and their Families:...” A right to benefit financially from the work is articulated, and court rulings and legislation have recognized a right to control the work, such as ensuring that the integrity of it is preserved. An irrevocable right to be recognized as the work's creator appears in some countries' copyright laws.

The Statute of Anne was the first real copyright act. The copyright has grown from a legal concept regulating copying rights in the publishing of books and maps to one with a significant effect on nearly every modern industry, covering such items as sound recordings, films, photographs, software, and architectural works. The Copyright Clause of the United States Constitution (1787) authorized copyright legislation: “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” That is, by guaranteeing them a period of time in which they alone could *profit from their works, they would be enabled and encouraged to invest* the time required to create them, and this would be good for society as a whole. A right to profit from the work has been the problem for much legislation extending the duration of copyright, to the life of the creator and beyond, to his heirs. The 1886 Berne Convention, first established recognition of copyrights among sovereign nations, rather than merely bilaterally. Under the Berne Convention, copyrights for creative works do not have to asserted or declared, as they are automatically in force at creation: an author need not “register” or “apply for” a copyright in adherence to the Berne Convention. As soon as a work is “fixed”, that is, written or recorded on some physical medium, its author is automatically entitled to all copyrights in the work, and to any derivative works unless and until the author explicitly disclaims them, or until the copyright expires. The Berne Convention also resulted in foreign authors being treated equivalently to domestic authors, in any country signed onto the Convention. The UK signed the Berne Convention in 1887 but did not implement large parts of it until 100 years later with the passage of the Copyright, Designs and Patents Act of 1988. The USA did not sign the Berne Convention until 1989.
The United States and most Latin American countries instead entered into the Buenos Aires Convention in 1910, which required a copyright notice (such as “all rights reserved”) on the work, and surrounding nations to limit the duration of copyrights to shorter renewable terms. The Universal Copyright Convention was drafted in 1952 as another less demanding alternative to the Berne Convention, and ratified by nations such as the Soviet Union and developing nations.
The regulations of the Berne Convention are incorporated into the World Trade

Organisation’s TRIPS agreement (1995), thus giving the Berne Convention effectively near global application. The 2002 WIPO Copyright Treaty enacted greater restrictions on the use of technology to copy works in the nations that ratified it.

3.2 Scope

Copyright may apply to a wide range of creative, intellectual, or artistic forms, or “works”. Specifics vary by jurisdiction, but these can include poems, theses, plays, other literary works, movies, dances, musical compositions, audio recordings, paintings, drawings, sculptures, photographs, software, radio and television and broadcasts. Copyright does not cover ideas and information themselves, only the form or manner in which they are expressed. For example, the copyright to a Mickey Mouse cartoon restricts others from making copies of the cartoon or creating derivative works based on Disney's particular anthropomorphic mouse, but doesn't prohibit the creation of other works about anthropomorphic mice in general, so long as they are different enough not to be judged copies of Disney’s. In many jurisdictions, copyright law makes exceptions to these restrictions when the work is copied for the purpose

of commentary or other related uses. Meanwhile, other laws may impose additional restrictions that copyright does not — such as trademarks and patents.

Copyright laws are standardized somewhat through international conventions such as the Berne Convention and Universal Copyright Convention. These multilateral treaties have been ratified by nearly all countries, and international organisations such as the European Union or World Trade Organisation requires their member states to comply with them.

3.3 Justification

As with patents for physical objects, the granting of a copyright was ensured by governments to promote innovation and guarantee first-to market protection for the owner of the copyright (historically, more likely the publisher than the creator). This government-sponsored monopoly thus provides innovation and general benefit to society as a whole, but allows for capitalistic pressures after the first-to-market advantage has been provided as a reward (and effort to cover R&D time for such works to be developed). With the modern emergence of massive mass-media conglomerates however, the first-to-market advantage can be recouped within weeks instead of years. This point is highlighted easily by noting the millions of dollars investment in blockbuster movies are typically recouped within mere days, and the studios themselves even stop collecting ticket sales income after typically one, though sometimes two weeks (which is when local theater owners finally start to collect revenue on ticket sales).

Likewise, with the increasing use of technology such as Digital Rights Management to maintain studio control of content the time of monopolistic control of content is extended even beyond that guaranteed by law. This post-copyright restriction planning has come under fire as being disingenuous and even unethical use of the government awarded protection.

The solution to this criticism has been the heavy lobbying by Disney and artist unions to continually extend copyright protections, thus making DRM appear to be protecting copyrights that for all intents affectively permanent extending 25 years past the authors/artists death.

The most recent extension of this corporate protection was provided by the bill sentimentally named the Sonny Bono Copyright Term Extension Act of 2000, which targeted Senator Bono's artistic heritage and recent death in an appeal to his colleges and the public support for such an act. Copyright lawyers commonly refer to this act as the Mickey MousE.

Protection Act due to the hundreds of millions of lobby dollars spent by the Walt Disney Corporation to ensure its passing. Disney's interest in this act was due to the pending release of Steamboat Willie, the first Mickey Mouse cartoon whose success created the mega-cartoon corporation. Releasing Steamboat Willie to the public domain was seen as a slippery slope that Disney refused to allow due to their belief that copyrights should be indefinite and that they were entitled to society's granting of their monopoly.

Another widely debated issue is the relationship between copyrights and other forms of "intellectual property", and material property. Most scholars of copyright agree that it can be called a kind of Property Consensus; it involves the exclusion of others from something. But there is disagreement about the extent to which that fact should allow the transportation of other beliefs and intuitions about material possessions. This philosophical difference was highlighted by the Sony vs Disney case regarding record-able CDs and tape. At the time, Disney was attempting to ban VHS-recording machines as illegal devices attempting to impinge on their copyright. The United States Supreme Court disagreed and allowed the sale

of VHS recording machines, and in a later, similar suit by Disney the US Supreme Court allowed the sale of recordable CDs and Mini-Discs. This repeated failure to gain government support of their position is what led Disney to try new tactics and lobby for increasing the length of copyright protection and eventually Digital Rights Management. There are many other philosophical questions that arise in the jurisprudence of copyright. They include such problems as determining when one work is "derived" from another, or deciding when information has been placed in a "tangible" or "material" form.

Some critics claim copyright law protects corporate interests while criminalizing legitimate use. Of particular concern is the increasing mound of orphaned works. Orphaned works are those that were protected for so long that the original artist is no longer alive, and although the work may now be in the public domain, is no longer available due to physical decay of the paper, film, or physical form due to aging and lack of maintenance. The fact remains that less than 1% of all artistic works created in the United States belong to Disney or other corporations who will maintain their art for commercial gain. The bulk of artistic works do NOT generate any appreciable income after 5 years and due to copyright restrictions provide no motivation for museums, clearing houses, or enthusiast organisations to maintain records of the owner or a copy of the work.

These orphaned works may not provide commercial benefit to the artists anymore; however they are fundamental to the fabric of society. As the orphan works disappear, historians lose valuable documents that hold insights into the evolution of phrases, social structure, and even the original source of new forms of art and genres that develop from them. Orphaned works are seen as justifiable losses to modern copyright lobbyists, equating them to an old chair or other form of property that has served its purpose and even if no longer economically viable, the copyright should be maintained in principle. This argument avoids the ethical implications of society losing the very art that it solicited by guaranteeing first-to-market rights.

3.4 Obtaining and Enforcing Copyright

Typically, a work must meet minimal standards of originality in order to qualify for copyright, and the copyright expires after a set period of time (some jurisdictions may allow this to be extended). Different countries impose different tests, although generally the requirements are low; in the United Kingdom there has to be some ''skill, labour and judgment,' that has gone into it. In Australia and the United Kingdom it has been held that a single word is insufficient to comprise a copyright work. However, single words or a short string of words can sometimes be registered as a trademark instead. Copyright law recognizes the right of an author based on whether the work actually is an original creation, rather than based on whether it is unique; two authors may own copyright on two substantially identical works, if it is determined that the duplication was coincidental, and neither was copied from the other.

In all countries where the Berne Convention standards apply, copyright is automatic, and need not be obtained through official registration with any government office. Once an idea has been reduced to tangible form, for example by securing it in a fixed medium (such as a drawing, sheet music, photograph, a videotape, or a computer file), the copyright holder is entitled to enforce his or her exclusive rights. However, the registration isn't needed to exercise copyright, in jurisdictions where the laws provide for registration, it serves as prima facie evidence of a valid copyright and enables the copyright holder to seek statutory damages and attorney's fees. (In the USA, registering after an infringement only enables one to receive actual damages and lost profits.).

The original holder of the copyright may be the employer of the author rather than the author himself, if the work is a "work for hire". For example, in English law the Copyright, Designs and Patents Act 1988 provides that if a copyrighted work is made by an employee of that employment, the copyright is automatically owned by the employer as a "Work for Hire." Copyrights are generally enforced by the holder in a civil law court, but there are also criminal infringement statutes in some jurisdictions. While central registries are kept in some countries, which aid in proving claims of ownership, registering does not necessarily prove ownership, ignores the fact of copying (even without permission) necessarily prove that copyright was infringed. Criminal sanctions are generally aimed at serious counterfeiting activity, but are now becoming more commonplace as copyright collectives such as the RIAA are increasingly targeting the file sharing home Internet user. Thus most such cases against file sharers have been settled out of court Copyright Notices in the U.S. Prior to 1989, use of a copyright notice — consisting of the copyright symbol (©, the letter C inside a circle), the abbreviation "Copr.", or the word "Copyright", followed by the year of the first publication of the work and the name of the copyright holder — was part of United States statutory requirements. Several years may be noted if the work has gone through substantial revisions. The proper copyright notice for sound recordings of musical or other audio works is a sound recording copyright symbol (, the letter P inside a circle), which indicates a sound recording copyright. Similarly, the phrase. All rights reserved was once required to assert copyright.

In 1989, the U.S. enacted the Berne Convention Implementation Act, amending the 1976 Copyright Act to conform to most of the provisions of the Berne Convention. As a result, the use of copyright notices has become optional to claim copyright, because the Berne Convention makes copyright automatic. However, the lack of notice of copyright using these marks may have consequences in terms of reduced damages in an infringement lawsuit— using notices of this form may reduce the likelihood of a defense of "innocent infringement" being successful.

"Poor Man's Copyright"

A widely circulated strategy to avoid the cost of copyright registration is referred to as the "poor man's copyright." It proposes that the creator send the work to himself in a sealed envelope by registered mail, using the postmark to establish the date. This technique has not been recognized in any published opinions of the United States courts. The United States Copyright Office makes clear that the technique is no substitute for actual registration. The United Kingdom Intellectual Property Office discusses the technique but does not recommend its use.

3.5 Exclusive Rights

Several exclusive rights typically attach to the holder of a copyright:

- to produce copies or reproductions of the work and to sell those copies (mechanical rights; including, sometimes, electronic copies: distribution rights)
- to import or export the work
- to create derivative works (works that adapt the original work)
- to perform or display the work publicly (performance rights)
- to sell or assign these rights to others
- to transmit or display by radio or video (broadcasting rights).

The phrase "exclusive right" means that only the copyright holder is free to exercise those rights, and others are prohibited from using the work without the holders permission.

Copyright is sometimes called a "negative right", as it serves to prohibit certain people (e.g., readers, viewers, or listeners, and primarily publishers and would be publishers) from doing something they would otherwise be able to do, rather than *permitting people (e.g., authors) to do something they would otherwise* be unable to do. In this way it is similar to the unregistered design right in English law and European law. The rights of the copyright holder also permit him/her to not use or exploit their copyright, for some or all of the term.

There is, however, a critique that rejects this assertion as being based on a philosophical interpretation of copyright law that is not universally shared. There is also debate on whether copyright shuld be considered a property right or a moral right. Many argue that copyright does not exist merely to restrict third parties from publishing ideas and information, and that defining copyright purely as a negative right is incompatible with the public policy objective of encouraging authors to create new works and enrich the public domain. The right to adapt a work means to transform the way in which the work is expressed. Examples include developing a stage play or film script from a novel, translating a short story, and making a new arrangement of a musical work.

3.6 Limits and Exceptions to Copyright

Idea-Expression Dichotomy

Immanuel Kant in his 1785 essay Von der Unrechtmäßigkeit des *Büchernachdrucks distinguishes the physical from the ideational, the* thought involved from the book. This distinction is of critical importance to the near constant wrangling between publishers, intermediaries, and the original, creative authors. The First-Sale Doctrine and Exhaustion of Rights Copyright law does not restrict the owner of a copy from legitimately obtained copies of copyrighted works, provided that those copies were originally produced by or with the permission of the copyright holder. It is therefore legal, for example, to resell a copyrighted book or CD. In the United States this is known as the first sale doctrine, and was established by the courts to clarify the legality of reselling books in second-hand bookstores. Some countries may have parallel importation restrictions that allow the copyright holder to control the aftermarket. This may mean for example that a copy of a book that does not infringe copyright in the country where it was printed **does infringe copyright in a country into which it is imported.** The first sale doctrine is known as exhaustion of rights in other countries and is a principle that also applies, though somewhat differently, to patent and trademark rights. It is important to note that the first-sale doctrine permits the transfer of the particular legitimate copy involved. It does not permit making or distributing additional copies.

In addition, copyright, in most cases, does not prohibit one from acts such as modifying, defacing, or destroying his or her own legitimately obtained copy of a copyrighted work, so long as duplication is involved. However, in countries that implement moral rights, a copyright holder can in some cases successfully prevent the mutilation or destruction of a work that is publicly visible.

Fair Use and Fair Dealing

Copyright does not prohibit all copying or replication. In the United States, the fair use doctrine, codified by the Copyright Act of 1976 as 17 U.S.C. § 107, permits some copying and distribution without permission of the copyright holder or payment to same. The statute does not clearly define fair use, but instead gives four non-exclusive factors to consider in a fair use analysis. Those factors are:

- the purpose and character of the use;
- the nature of the copyrighted work;
- the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- the effect of the use upon the potential market for or value of the copyrighted work.

In the United Kingdom and many other Commonwealth countries, a similar notion of fair dealing was established by the courts or through legislation. The concept is sometimes not well defined; however in Canada, private copying for personal use has been expressly permitted by statute since 1999. In Australia, the fair dealing exceptions under the *Copyright Act 1968 (Cth) are a limited set of circumstances under which* copyrighted material can be legally copied or adapted without the copyright holder's consent. Fair dealing uses are research and study; review and critique; news reportage and the giving of professional advice (i.e legal advice). Under current Australian law it is still a breach of copyright to copy, reproduce or adapt copyright material for personal or private use without permission from the copyright owner. Other technical exemptions from infringement may also apply, such as the temporary reproduction of a work in machine readable form for a computer.

In the United States the AHRA (Audio Home Recording Act Codified in Section 10, 1992) prohibits action against consumers making noncommercial recordings of music, in return for royalties on both media and devices plus mandatory copy-control mechanisms on recorders.

'Section 1008. Prohibition on certain infringement actions No action may be brought under this title alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analog recording device, or an analog recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analog musical recordings.'

Later acts amended US Copyright law so that for certain pages 10 copies or more is construed to be commercial, but there is no general rule permitting such copying. Indeed making one complete copy of a work, or in many cases using a portion of it, for commercial purpose will not be considered fair use. The Digital Millennium Copyright Act prohibits the manufacture, importation, or distribution of devices whose intended use, or only significant commercial use, is to bypass an access or copy control put in place by a copyright owner. An appellate court has held that fair use is not a defense to engaging in such distribution. Educational use is regarded as "fair use" in most jurisdictions, but the restrictions vary wildly from nation to nation.

Transfer and Licensing

A copyright, or aspects of it, may be assigned or transferred from one party to another. For example, a musician who records an album will often sign an agreement with a record company in which the musician agrees to transfer all copyright in the recordings in exchange for royalties and other considerations. The creator (and original copyright holder) benefits, or expects to, from production and marketing capabilities far beyond those of the author. In the digital age of music, music may be copied and distributed at minimal cost through the Internet; however the record industry attempts to provide promotion and marketing for the artist and his or her work so it can reach a much larger audience. A copyright holder need not transfer all rights completely, though many publishers will insist. Some of the rights may be transferred, or else the copyright holder may grant another party a nonexclusive license to copy and/or distribute the work in a particular region for a specified period of time. A transfer

or license may have to meet particular formal requirements in order to be effective; section 239 of the Australia Copyright Act 1968 (Cth). Under Australian law, it is not enough to pay for a work to be created in order to also own the copyright. The copyright itself must be expressly transferred in writing.

Under the U.S. Copyright Act, a transfer of ownership in copyright must be memorialized in a writing signed by the transferor. For that purpose, ownership in copyright includes exclusive licenses of rights. Thus exclusive licenses, to be effective, must be granted in a written instrument signed by the grantor. No special form of transfer or grant is required. A simple document that identifies the work involved and the rights being granted is sufficient. Non-exclusive grants (often called non-exclusive licenses) need not be in writing under U.S. law. They can be oral or even implied by the behavior of the parties. Transfers of copyright ownership, including exclusive licenses, may and should be recorded in the U.S. Copyright Office. (Information on recording transfers is available on the Office's web site.) While recording is not required to make the grant effective, it offers important benefits, much like those obtained by recording a deed in a real estate transaction.

Copyright may also be licensed. Some jurisdictions may provide that certain classes of copyrighted works be made available under a prescribed statutory license (e.g. musical works in the United States used for radio broadcast or performance). This is also called a compulsory license, because under this scheme, anyone who wishes to copy a covered work does not need the permission of the copyright holder, but instead merely files the proper notice and pays a set fee established by statute (or by an agency decision under statutory guidance) for every copy made. Failure to follow the proper procedures would place the copier at risk of an infringement suit. Because of the difficulty of following every individual work, copyright collectives or collecting societies and performing rights organisations (such as ASCAP, BMI, and SESAC) have been formed to collect royalties for hundreds (thousands and more) works at once. Though this market solution bypasses the statutory license, the availability of the statutory fee still helps dictate the price per work collective rights organisations charge, driving it down to what avoidance of procedural hassle would justify.

Similar Legal Rights

Copyright law covers the creative or artistic expression of an idea. Patent law covers inventions. Trademark law covers distinctive terms, marks, and names that are used in relation to products or services as indicators of origin, as does (in a similar fashion), Trade dress. Registered designs law covers the look or appearance of a manufactured or functional article. Trade secret law covers secret or sensitive knowledge or information. Although copyright and trademark laws are theoretically distinct, more than one type of them may cover the same item or subject matter. For example, in the case of the Mickey Mouse cartoon, the image and name of Mickey Mouse would be the subject of trademark legislation, while the cartoon itself would be subject to copyright. Titles and character names from books or movies may also be trademarked while the works from which they are drawn may qualify for copyright. Another point of distinction is that a copyright (and a patent) is generally subject to a statutorily-determined term, whereas a trademark registration may remain in force indefinitely if the trademark is periodically used and renewal fees continue to be duly paid to the relevant jurisdiction’s trademarks office or registry. Once the term of a copyright has expired, the formerly copyrighted work enters the public domain and may be freely used or exploited by anyone. Courts in the United States and the United Kingdom have rejected the doctrine of a common law copyright. Public domain works should not be confused with works that are publicly available. Works posted in the internet for example, are publicly available, but are not generally in the public domain. Copying such works may therefore violate the author's copyright.

Duration

Copyright subsists for a variety of lengths in different jurisdictions. The length of the term can depend on several factors, including the type of work (e.g. musical composition, novel), whether the work has been published or not, and whether the work was created by an individual or a corporation. In most of the world, the default length of copyright is the life of the author plus either 50 or 70 years. In the United States, the term for most existing works is a fixed number of years after the date of creation or publication. Under most countries' laws, copyrights expire at the end of the calendar year in question.

The length and requirements for copyright duration are subject to change by legislation, and since the early 20th century there have been a number of adjustments made in various countries, which can make determining the duration of a given copyright somewhat difficult. For example, the United States used to require copyrights to be renewed after 28 years to stay in force, and formerly required a copyright notice upon first publication to gain coverage. In Italy and France, there were post-wartime extensions that could increase the term by approximately 6 years in Italy and up to about 14 in France. Many countries have extended the length of their copyright terms (sometimes retroactively). International treaties establish minimum terms for copyrights, but individual countries may enforce longer terms than those. In the United States, all books and other works published before 1923 have expired copyrights and are in the public domain. In addition, works published before 1964 that did not have their copyrights renewed 28 years after first publication year also are in the public domain, except that books originally published outside the US by non-Americans are exempt from this requirement, if they are still under copyright in their home country.

But if the intended exploitation of the work includes publication (or distribution of derivative work, such as a film based on a book protected by copyright) outside the U.S., the terms of copyright around the world must be considered. If the author has been dead more than 70 years, the work is in the public domain in most, but not all, countries. Some works are covered by copyright in Spain for 80 years after the author's death. In 1998 the length of a copyright in the United States was increased by 20 years under the Copyright Term Extension Act. This legislation was strongly promoted by corporations that had valuable copyrights that otherwise would have expired, and has been the subject of substantial criticism on this point. As a curiosity, the famous work Peter Pan, or The Boy Who Wouldn't *Grow Up has a complex – and disputed – story of copyright expiry*.

Typefaces

In the United States, the Copyright Office maintains that type faces are not covered by copyright, and it will not accept applications for their registration. See 37. C.F.R. § 202.1(e). In Tufenkian *Import/Export Ventures, Inc. v. Einstein Moomjy, Inc., 338 F.3d 127,* 132 (2nd Cir. 2003), the United States Court of Appeals for the Second Circuit recognized this rule when it held, "the public domain includes, for example, both the generic shape of the letter 'L' and all alphabets more specific 'L's' from the hundreds of years of font designs that have fallen into the public domain." However, if a design is novel and "non-obvious," it may be covered by design patent. See, for example, U.S. Des. Patent No. 289,773, May 12, 1987), Charles Baigelow and Kris A. Holmes inventors. Germany (in 1981) passed a special extension (Schriftzeichengesetz) to the design patent law (Geschmacksmustergesetz) for protecting them. This permits typefaces being registered as designs in Germany, too. So far, the United States courts have not published any opinions discussing whether a computer program creating a particular font might be intellectual property protected by the copyright laws. England recognized copyright in typeface at least as early as 1916. The current United

Kingdom copyright statute, enacted in 1989, expressly refers to copyrights in typeface designs. The British law also applies to designs produced before 1989.

Accessible Copies

It is legal in several countries including the United Kingdom and the United States to produce alternative versions (for example, in large print **o**r braille) of a copyrighted work to provide improved access to a work for blind and visually impaired persons without permission from the copyright holder.

3.7 Anti-Counterfeiting Trade Agreement (ACTA)

The Anti-Counterfeiting Trade Agreement (ACTA) is a proposed multinational trade agreement that would impose strict enforcement of intellectual property rights related to Internet activity and trade information-based goods. The agreement is being secretly negotiated by the governments of the United States, Japan, Switzerland, Australia, New Zealand, South Korea, Canada, and Mexico, and the European Commission. If adopted the treaty would establish an international coalition against copyright infringement, imposing strong and top-down enforcement of copyright laws in developed nations. The proposed agreement would allow border officials to search laptops, MP3 players, and cellular phones for copyright-infringing content. It would also impose new cooperation requirements upon Internet service providers (ISPs), including perfunctory disclosure of customer information, and restrict the use of online privacy tools. The proposal specifies a plan to encourage developing nations to accept the legal regime, as well.

SELF-ASSESSMENT EXERCISE

Discuss the Anti-Counterfeiting Trade Act

4.0 CONCLUSION

Copyright is one of the oldest legislative schemes instituted to deal with crime, especially intellectual property crimes. However, this legal cover is not often utilized, especially in developing countries, because of the seemingly delays of legal battles. So, the challenge before copyright is more of awareness and implementation. At the end of this unit, we discussed the nature of copyright laws and electronic access to information. We also discussed obtaining and enforcing copyright, gaining exclusive rights, the limitations and exceptions to copyrights and highlighting the Anti-Counterfeiting Trade Agreement.

5.0 SUMMARY

- Copyright is a legal concept, enacted by governments, giving the creator of an original work of authorship exclusive rights to control its distribution, usually for 70 years after the author's death, after which the work enters the public domain.
- Copyright was invented after the advent of the printing press and with wider public literacy. As a legal concept, its origins in Britain were from a reaction to printers' monopolies at the beginning of the eighteenth century
- Copyright may apply to a wide range of creative, intellectual, or artistic forms, or "works". Specifics vary by jurisdiction, but these can include poems, theses, plays, other literary works, movies, dances, musical compositions, audio recordings, paintings, drawings, sculptures, photographs, software, radio and television and broadcasts.

- As with patents for physical objects, the granting of a copyright was ensured by governments to promote innovation and guarantee first to- market protection for the owner of the copyright (historically, more likely the publisher than the creator).
- Typically, a work must meet minimal standards of originality to qualify for copyright, and the copyright expires after a set period (some jurisdictions may allow this to be extended).
- There are several exclusive rights typically attach to the holder of a copyright:
- Copyright law does not restrict the owner of a copy from reselling legitimately obtained copies of copyrighted works, provided that those copies were originally produced by or with the permission of the copyright holder.
- The Anti-Counterfeiting Trade Agreement (ACTA) is a proposed plurilateral trade agreement that would impose strict enforcement of intellectual property rights related to Internet activity and trade in information-based goods.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss briefly the scope of copyright
2. Identify 4 non-exclusive factors to consider in a fair deal analysis

Answer to Self-assessment exercise

See 3.7

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UNIT 5: INTERNET FIREWALL AND FRAUD PREVENTION CONTENT

CONTENTS

1.0 INTRODUCTION

Security has become one of the primary concerns when an organisation connects its private network to the Internet. Regardless of the business, an increasing number of users on private networks are demanding access to Internet services such as the World Wide Web (WWW) and File Transfer Protocol (FTP). In addition, corporations want to offer WWW home pages and FTP servers for public access on the Internet.

Network administrators have increasing concerns about the security of their networks when they expose their organization's private data and networking infrastructure to Internet crackers. To provide the required level of protection, an organisation needs a security policy to prevent unauthorized users from accessing resources on the private network and to protect against the unauthorized export of private information. Even if an organisation is not connected to the Internet, it may still want to establish an internal security policy to manage user access to portions of the network and protect sensitive or secret information.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the concerns of network security administrators
- define Internet firewalls
- identify the benefits and limitations associated with Internet firewalls
- identify the tools used by hackers as way of knowing how to counter their operations
- identify the kind of decisions to make in design of firewalls
- identify and differentiate the types of firewalls.

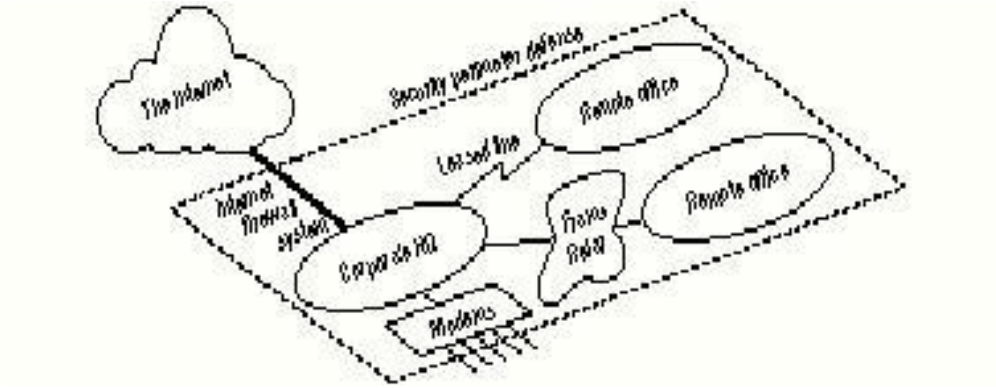

Figure 1. Security Policy Creates a Perimeter Defense (DaSilva, 1996)

3.0 MAIN CONTENT

3.1 Internet Firewalls

An Internet firewall is a system or group of systems that enforces a security policy between an organisation's network and the Internet. The firewall determines which inside services may be accessed from the outside, which outsiders are permitted access to the permitted inside services, and which outside services may be accessed by insiders. For a firewall to be effective, all traffic to and from the Internet must pass through the firewall, where it can be inspected (Figure 1). The firewall must permit only authorized traffic to pass, and the firewall itself must be immune to penetration. Unfortunately, a firewall system cannot offer any protection once an attacker has gotten through or around the firewall.

It is important to note that an Internet firewall is not just a router, a bastion host, or a combination of devices that provides security for a network. The firewall is part of an overall security policy that creates a perimeter defense designed to protect the information resources of the organisation. This security policy must include published security guidelines to inform users of their responsibilities; corporate policies defining network access, service access, local and remote user authentication, dial-in and dial-out, disk and data encryption, and virus protection measures; and employee training. All potential points of network attack must be protected with the same level of network security. Setting up an Internet firewall without a comprehensive security policy is like placing a steel door on a tent.

Benefits of an Internet Firewall

Internet firewalls manage access between the Internet and an organisation's private network. Without a firewall, each host system on the private network is exposed to attacks from other hosts on the Internet. This means that the security of the private network would depend on the "hardness" of each host's security features and would be only as secure as the weakest system.

Internet firewalls allow the network administrator to define a centralized "choke point" that keeps unauthorized users such as hackers, crackers, vandals, and spies out of the protected network; prohibits potentially vulnerable services from entering or leaving the protected network; and provides protection from various types of routing attacks. An Internet firewall simplifies security management, since network security is consolidated on the firewall systems rather than being distributed to every host in the entire private network. Firewalls offer a convenient point where Internet security can be monitored and alarms generated. It should be noted that for organisations that have connections to the Internet, the question is not whether but when attacks will occur. Network administrators must audit and log all significant traffic through the firewall. If the administrator doesn't take the time to respond to

each alarm admin logs on a regular basis, there is no need for the firewall, since the network administrator will never know if the firewall has been successfully attacked.

For the past few years, the Internet has been experiencing an address space crisis that has made registered IP addresses a less protected means. This means that organisations wanting to connect to the Internet may not be able to obtain enough registered IP addresses to meet the demands of their user population. An Internet firewall is a logical place to deploy a Network Address Translator (NAT) that can help alleviate the address space shortage and eliminate the need to remember when an organisation changes Internet service providers (ISPs). (Denning, 1999).

An Internet firewall is the perfect point to audit or log Internet usage. This permits the network administrator to justify the expense of the Internet connection to management, pinpoint potential bandwidth bottlenecks, and provide a method for departmental charge-backs if this fits the organisation's financial model.

An Internet firewall can also offer a central point of contact information delivery service to customers. The Internet firewall is the ideal location for deploying World Wide Web and FTP servers. The firewall can be configured to allow Internet access to these services, while prohibiting external access to other systems on the network. Finally, some might argue that the deployment of an Internet firewall creates a single point of failure. It should be emphasized that if the connection to the Internet fails, the organisation's private network will still continue to operate--only Internet access is lost. If there are multiple points of access, each one becomes a potential point of attack that the network administrator must firewall and monitor regularly.

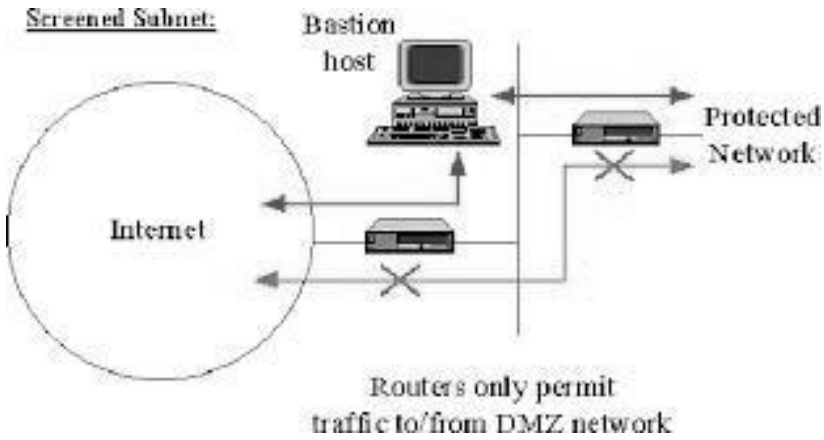

Figure 3. A Connection Circumventing an Internet Firewall (Source; Hansell, 1996)

Limitations of an Internet Firewall

An Internet firewall cannot protect against attacks that do not go through the firewall. For example, if unrestricted dial-out is permitted from inside the protected network, internal users can make a direct SLIP or PPP connection to the Internet. Savvy users who become irritated with the additional authentication required by firewall proxy servers may be tempted to circumvent the security system by purchasing a direct SLIP or PPP connection to an ISP. Since these types of connections bypass the security provided by the most carefully constructed firewall, they create a significant potential for back-door attacks (Figure 3). Users must be made aware that these types of connections are not permitted as part of the organisation's overall security architecture. Internet firewalls cannot protect against the types of threats posed by traitors or unwitting users. Firewalls do not prohibit traitors or corporate

spies from copying sensitive data onto floppy disks or PCMCIA cards and removing them from a building. Firewalls do not protect against attacks where a hacker, pretending to be a supervisor or a befuddled new employee, persuades a less sophisticated user into revealing a password or granting them "temporary" network access. Employees must be educated about the various types of attacks and about the need to guard and periodically change their passwords. Internet firewalls cannot protect against the transfer of virus-infected software or files. Since there are so many different viruses, operating systems, and ways of encoding and compressing binary files, an Internet firewall cannot be expected to accurately scan each file for potential viruses. Concerned organisations should deploy anti-viral software at each desktop to protect against their arrival from floppy disks or any other source.

Finally, Internet firewalls cannot protect against data-driven attacks. A data-driven attack occurs when seemingly harmless data is mailed or copied to an internal host and is executed to launch an attack. For example, a data-driven attack could cause a host to modify security related files, making it easier for an intruder to gain access to the system. As we will see, the deployment of proxy servers on a bastion host is an excellent means of prohibiting direct connections from the outside and reducing the threat of data-driven attacks.

3.2 The Hacker's Toolbox

It is difficult to describe a typical hacker attack because intruders have different levels of technical expertise and many different motivations. Some hackers are intrigued by the challenge, others just want to make life more difficult for others, and still others are out to steal sensitive data for profit. (Carter, 1996).

Information Gathering

Generally, the first step in a break-in is some form of information gathering. The goal is to construct a database of the target organisation's network and gather information about the hosts residing on each of the networks. There are a number of tools that a hacker can use to collect this information:

- The SNMP protocol can be used to examine the routing table of an unsecured router to learn intimate details about the target organisation's network topology.
- The Trace Route program can reveal intermediate network numbers and routers in the path to a specific host.
- The Who is protocol is an information service that can provide data about all DNS domains and the system administrators responsible for each domain. However, this information is usually out of date.
- DNS servers can access a list of host IP addresses and the corresponding host names.
- The Finger protocol can reveal detailed information about the users (login names, phone numbers, time they last logged in, etc.) of a specified host.
- The Ping program can be employed to locate a host and determine its reachability. This simple tool can be used in a short scanning program that pings every possible host address on a network to construct a list of the hosts residing on the network.

Probing Systems for Security Weaknesses

After information about the targeted organisation's network is gathered, the hacker attempts to probe each host for security weaknesses. There are several tools that a hacker can use to automatically scan the individual hosts residing on a network; for example:

- Since the list of known service vulnerabilities is rather short, a knowledgeable hacker can write a small program that attempts to connect to specific service ports on a targeted host. The output of the program is a list of hosts that support services that are exposed to attack.
- There are several publicly available tools, such as the Internet Security Scanner (ISS) or the Security Analysis Tool for Auditing Networks (SATAN), that scan an entire domain or subnetwork and look for security holes. These programs determine the weaknesses of each system with respect to several common system vulnerabilities. Intruders use the information collected from these scans to gain unauthorized access to the targeted organisation's systems. A clever network administrator can use these tools within their private network to discover potential security weaknesses and determine which hosts need to be updated with new software patches.

Accessing Protected Systems

The intruder uses the results of the host probes to target a specific system for attack. After gaining access to a protected system, the hacker has many options available:

- The intruder can attempt to destroy evidence of the assault and open new security holes or back doors in the compromised system to have continued access even if the original attack is discovered.
- The intruder can install packet sniffers that include Trojan horse binaries that hide the sniffing activity on the installed systems. The packet sniffers collect account names and passwords for Telnet and FTP services that allow the hacker to spread the attack to other machines.
- The intruder can find other hosts that trust the compromised system. This allows the hacker to exploit the vulnerabilities of a single host and spread the attack across the entire organisation's network.
- If the hacker can obtain privileged access on a compromised system, he or she can read mail, search private files, steal private files, and destroy or corrupt important data.

3.3 Basic Firewalls Design Decisions

When designing an Internet firewall, there are several decisions that must be addressed by the network administrator:

- The stance of the firewall
- The overall security policy of the organisation
- The financial cost of the firewall
- The components or building blocks of the firewall system

i. Stance of the Firewall

The stance of a firewall system describes the fundamental philosophy of the organisation. An Internet firewall may take one of two diametrically opposed stances:

- Everything not Specifically Permitted is denied. This stance assumes that a firewall should block all traffic, and that each desired service or application should be implemented on a case-by-case basis. This is the recommended approach. It creates a very secure environment, since only carefully selected services are supported. The

disadvantage is that it places security ahead of ease of limiting the number of options available to the user community.

- Everything not Specifically Denied is permitted; This stance assumes that a firewall should forward all traffic, and that potentially harmful service should be shut off on a basis. This approach creates a more flexible environment, with more services available to the user community. The disadvantage is that it puts ease of use ahead of security, putting the network administrator in a reactive mode and making it increasingly difficult to provide security as the size of the protected network grows.

Security Policy of the Organisation

As discussed earlier, an Internet firewall does not stand alone--it is part of the organisation's overall security policy, which defines all aspects of its perimeter defense. To be successful, organisations must know what they are protecting. The security policy must be based on a carefully conducted security analysis, risk assessment, and business needs analysis. If an organisation does not have a detailed security policy, the most carefully crafted firewall can be circumvented to expose the entire private network to attack.

Cost of the Firewall

How much security can the organisation afford? A simple packet filtering firewall can have a minimal cost since the organisation needs a router to connect to the Internet, and packet filtering is included as part of the standard router feature set. A commercial firewall system provides increased security but may cost from U.S.#4,000 to #30,000, depending on its complexity and the number of systems protected. If an organisation has the in-house expertise, a home-brewed firewall can be constructed from public domain software, but there are still costs in terms of the time to develop and deploy the firewall system. Finally, all firewalls require continuing support for administration, general maintenance, software updates, security patches, and incident handling.

Components of the Firewall System

After making decisions about firewall stance, security policy, and budget issues, the organisation can determine the specific components of its firewall system. A typical firewall is composed of one or more of the following building blocks:

- Packet-filtering router
- Application-level gateway (or proxy server)
- Circuit-level gateway

SELF-ASSESSMENT EXERCISE

Explain the several decisions that must be addressed by the network administrator:

3.4 Types of Firewalls

Firewall Example #1: Packet-Filtering Router

The most common Internet firewall system consists of nothing more than a packet-filtering router deployed between the private network and the Internet (Figure 1). A packet-filtering router performs the typical routing functions of forwarding traffic between networks as well

as using packet-filtering rules to permit or deny traffic. Typically, the filter rules are defined so that hosts on the private network have direct access to the Internet, while hosts on the Internet have limited access to systems on the private network. The external stance of this type of firewall system is usually that everything not specifically permitted is denied.

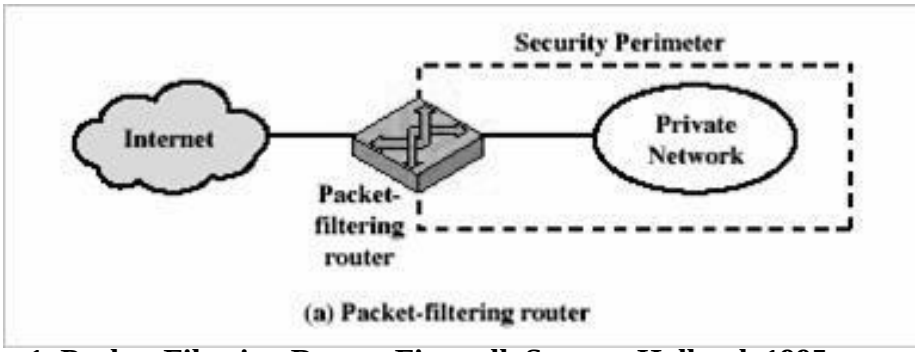

Figure 1. Packet-Filtering Router Firewall, Source; Holland, 1995

Although this firewall system has the benefit of being inexpensive and transparent to users, it possesses all of the limitations of packet-filtering router such as exposure to attacks from improperly configured filters and attacks that are tunneled over permitted services. Since the direct exchange of packets is permitted between outside systems and inside systems, the potential extent of an attack is determined by the total number of hosts and services to which the packet-filtering router permits traffic. This means that each host directly accessible from the Internet needs to support sophisticated user authentication and needs to be regularly examined by the network administrator for signs of an attack. Also, if the single packet-filtering router is penetrated, every system on the private network may be compromised.

Firewall Example #2: Screened Host Firewall

The second firewall example employs both a packet-filtering router and a bastion host (Figure 2). This firewall system provides a higher level of security than the previous example because it implements both network layer security (packet-filtering) and application-layer security (proxy services). Also, an intruder should penetrate two separate systems before the security of the private network can be compromised.

For this firewall system, the bastion host is configured on the private network with a packet-filtering router between the Internet and the bastion host. The filtering rules on the exposed router are configured so that outside systems can access only the bastion host; traffic addressed to all other internal systems is blocked. Since the inside hosts reside on the same network as the bastion host, the security policy of the organisation determines whether inside systems are permitted direct access to the Internet, or whether they are required to use the proxy services on the bastion host. Inside users can be forced to use the proxy services by configuring the router's filter rules to accept only internal traffic originating from the bastion host.

One of the benefits of this firewall system is that a public information server providing Web and FTP services can be placed on the segment shared by the packet-filtering router and the bastion host. If the strongest security is required, the bastion host can run proxy services that require both internal and external users to access the bastion host before communicating with the information server. If a lower level of security is adequate, the router may be configured to allow outside users direct access to the public information server. (Bellcore, 1996).

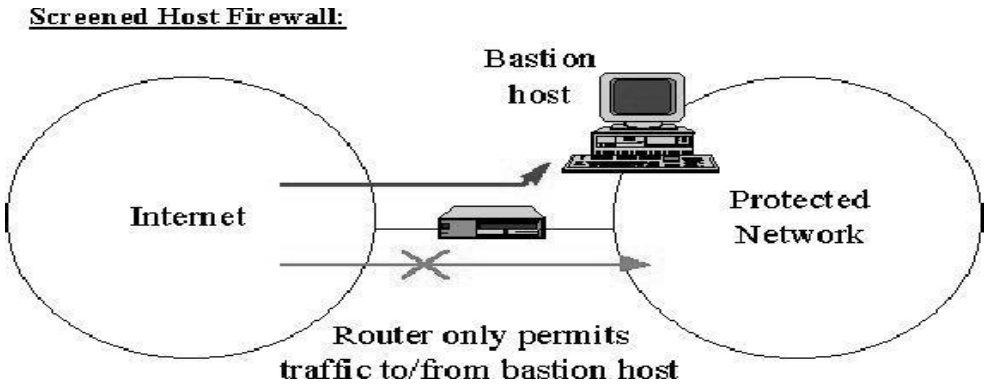

Figure 10. Screened Host Firewall System (Single-Homed Bastion Host) Source: Denning, 1999.

An even more secure firewall system can be constructed using a dual homed bastion host system (Figure 10). A dual-homed bastion host has two network interfaces, but the host's ability to directly forward traffic between the two interfaces bypassing the proxy services is disabled. The physical topology forces all traffic destined for the private network through the bastion host and provides additional security if outside users are granted direct access to the information server.

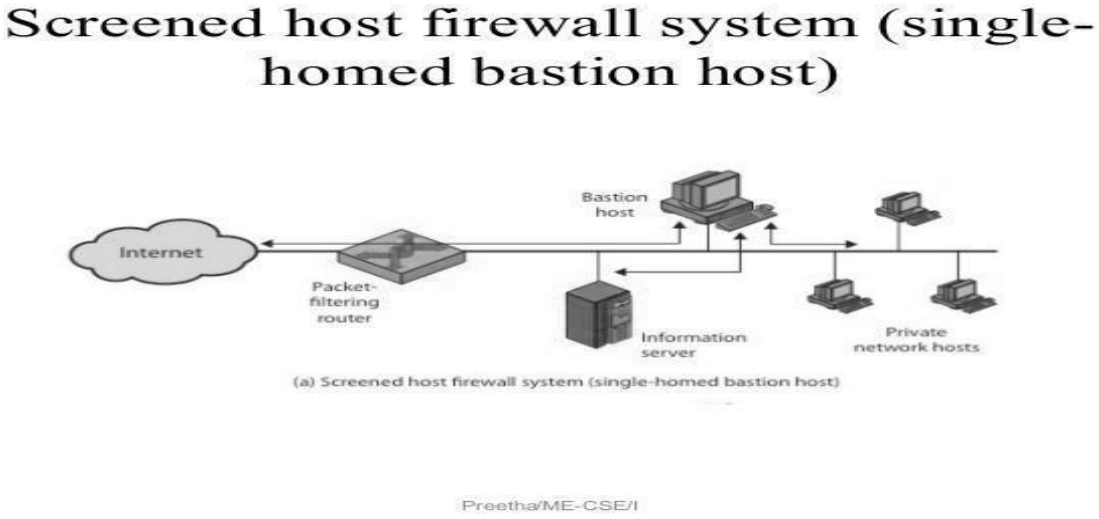

Figure 3. Screened Host Firewall System (Dual-Homed Bastion Host)
Source; Carter, 1996)

Since the bastion host is the only internal system that can be directly accessed from the Internet, the potential set of systems open to attack is limited to the bastion host. However, if users can log on to the bastion host, the potential set of threatened systems expands to include the entire private network, since it is much easier for an intruder to compromise the bastion host if they are allowed to log on. It is critical that the bastion host be hardened and protected from penetration and that users never be allowed to log on to the bastion host.

Firewall Example #3: "Demilitarized Zone" or Screened-Subnet Firewall

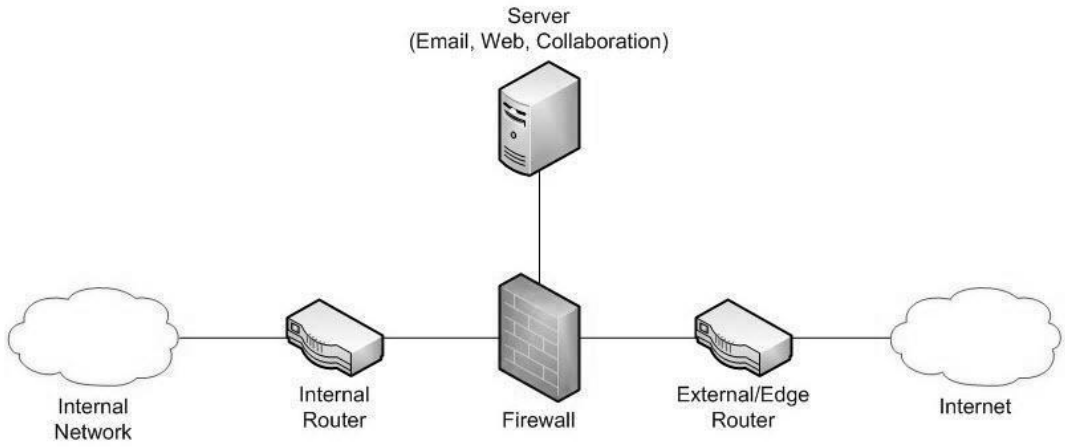

Figure 3. Demilitarized Zone" or Screened-Subnet Firewall Source: Holland, 1995)

The final firewall example employs two packet-filtering routers and a bastion host (Figure 3). This firewall system creates the most secure firewall system, since it supports both network- and application-layer security while defining a "demilitarized zone" (DMZ) network. The network administrator places the bastion host, information servers, modem pools, and other public servers on the DMZ network. The DMZ network functions as a small, isolated network positioned between the Internet and the private network. Typically, the DMZ is configured so that systems on the Internet and systems on the private network accessed only a limited number of systems on the DMZ network, but the direct transmission of traffic across the DMZ network is prohibited. For incoming traffic, the outside router protects against the standard external attacks (source IP address spoofing, source routing attacks, etc.) and manages Internet access to the DMZ network. It permits external systems to access only the bastion host (and possibly the information server). The inside router provides a second line of defense, managing DMZ access to the private network by accepting only traffic originating from the bastion host.

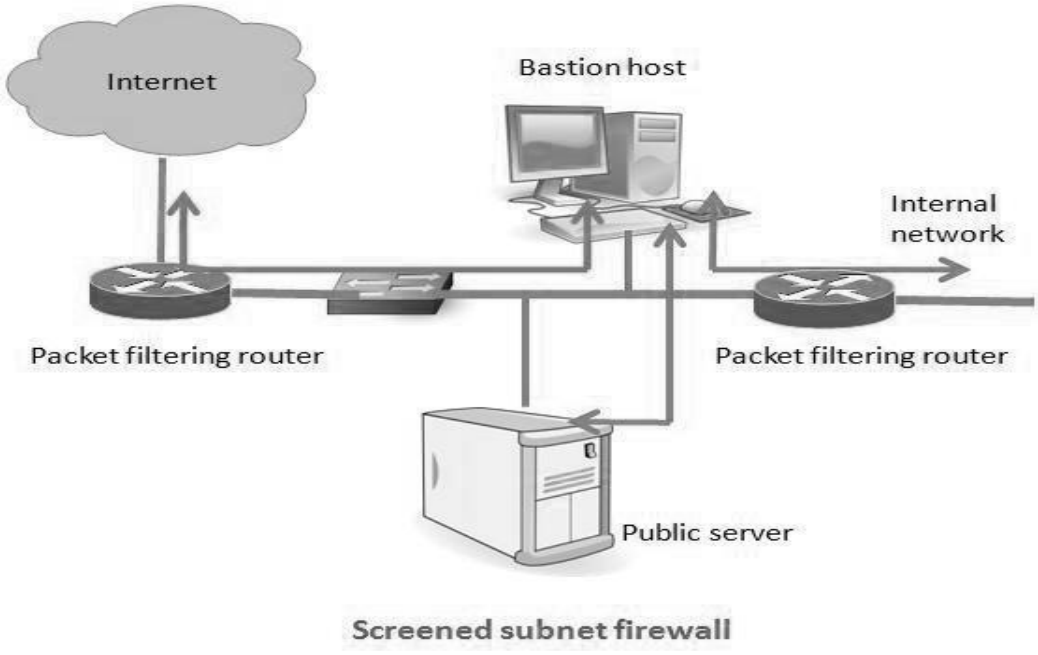

Figure 4. Screened-Subnet Firewall System, Source: DaSilva, 1996

For Internet-bound traffic, the inside router manages private network access to the DMZ network. It permits internal systems to access only the bastion host (and possibly the information server). The filtering rules on the outside router require use of the proxy services by accepting only Internet-bound traffic from the bastion host. There are several key benefits to the deployment of a screened subnet firewall system:

- An intruder must crack three separate devices (without detection) to infiltrate the private network: the outside router, the bastion host, and the inside router.
- Since the outside router advertises the DMZ network only to the Internet, systems on the Internet do not have routes to the protected private network. This allows the network manager to ensure that the private network is "invisible," and that only selected systems on the DMZ are known to the Internet via routing table and DNS information exchanges.
- Since the inside router advertises the DMZ network only to the private network, systems on the private network do not have direct routes to the Internet. This guarantees that inside users must access the Internet via the proxy services residing on the bastion host.
- Packet-filtering routers direct traffic to specific systems on the DMZ network, eliminating the need for the bastion host to be dual-homed.
- The inside router supports greater packet throughput than a dual-homed bastion host when it functions as the final firewall system between the private network and the Internet.
- Since the DMZ network is a different network than the private network, a Network Address Translator (NAT) can be installed on the bastion host to eliminate the need to renumber or re-subnet the private network.

Electronic Signature

The digital signature algorithm (DSA) is another form of firewall. It is a digital signature and verification mechanism used for digital, rather than written signature. DSA enables the verification of signature, message origin, and message integrity without giving away information that would make signature forgery possible. DSA achieves this by allotting two different digital keys to each signature bearer a secret private key for encrypting the message and a public key for decrypting it. Only the signature bearer knows this private key, while the entire network user knows the public key.

3.5 Fraud Prevention Solutions

A wide range of solutions have been devised to reduce the security risks associated with conducting on-line business.

Hardware Security

To provide a safe system for electronic commerce, computer hardware needs to be adequately secured. This extends from computer terminals used in homes, businesses, and public kiosks through servers operated by ISPs, to the hardware maintained by merchants and financial institutions. The extent of the security precautions used will be determined by the risks present. Terminals located in Internet kiosks may need only basic access controls such as using passwords or smartcard tokens, whilst servers maintained by banks might need to be shielded against electro-magnetic radiation (EMR) scanning.

The threat of EMR scanning should not be taken lightly. Although the risk is remote, the possibility exists. In one case in England, for example, a computer eavesdropper scanned electronic transaction information transmitted by a bank. Even though the information was encrypted, the code was defeated and the individual successfully obtained #350,000 by blackmailing the bank and several customers by threatening to reveal certain information to the Inland Revenue (Nicholson, 1989). If payment systems are used which make use of digital signatures and encrypted data transmissions, then the need to protect computer cables from interception would not arise as any data would not travel in clear text. At present, however, a good deal of sensitive information travels across networks in unencrypted form making it vulnerable to interception and subsequent disclosure. The adequacy of encryption as a security measure depends, of course, upon the strength of the encryption system used and the determination of the attacker. (Denning, 1998)

Terminal Safeguards

Crime prevention needs to be focused on areas of weakness in electronic systems and the most obvious target for electronic fund transfer systems is the computer terminal at which transactions are carried out. As is the case with telephone kiosks, ATM and EFTPOS terminals need to be manufactured in such a way as to ensure that access cannot be gained to cables or to electro-magnetic radiation (Tyree 1990). Computer terminals should be in secure places where users are protected both physically, as well as against shoulder surfing, to obtain PINs.

Card Security

Plastic cards may be used in conjunction with on-line transactions in a variety of ways. Primarily they will be used to store access devices such as cryptographic keys or other user authentication devices. They may also be used to store value in Mondex-type smart card systems. The most sophisticated security features should be built into plastic cards to prevent counterfeiting, alteration or un-authorized access to the data which they hold. Newton (1995) describes various crime prevention strategies which have been used to prevent plastic card counterfeiting including the use of security printing, micro-printing, holograms, embossed characters, tamper-evident signature panels, magnetic stripes with improved card validation technologies, and indent printing. Smart cards, of course, are much more difficult to copy than ordinary magnetic stripe cards. Unfortunately, these card security features have been overcome by organised criminals including computer chip circuitry in smart cards. On-line payment systems which do not rely upon plastic cards, should be much more secure and it may also be possible for these to operate in conjunction with biometric user identification systems.

Value Restrictions

As an alternative to target hardening, it has been suggested that the risk of large-scale fraud and money laundering using Internet-based funds transfer systems could be restricted by placing limits on the size of transactions. Mackrell (1996), for example, has suggested that stored value cards should have a modest limit placed on the maximum value that can be stored on them, especially if they are to be used for card-to-card transfers. There could also be a limit on the life of the cards which would restrict their usefulness for hoarding and money laundering. Self-expiring cards have also been developed which automatically deteriorate after a certain period. In the case of on-line commerce, electronic restrictions could be placed on the value of transactions to avoid the possibility of large scale fraud, although this may be an unwarranted intrusion into freedom of electronic commerce.

Password Protection

Passwords used as a means of restricting access to computer technologies are popular at present and frequently misused and abused. It is possible to guess passwords, particularly if little or no thought has been given to their selection, or to use various forms of social engineering to trick users into revealing their passwords for subsequent improper use.

The use of brute computing force has also been used to break passwords. Password cracking programs are available by which computers are able systematically to search entire dictionaries in search of a password. Even if passwords are encrypted to prevent them from direct exposure, encryption keys have been broken using massive computing resources. Denning (1998: 40) reports, for example, that in 1994 a 129 digit RSA key was broken through combining the power of 1,600 computers linked through the Internet globally working for eight months at the rate of one million instructions per second. If additional information or cracks within the system are known, it is possible to break encryption keys even more quickly, which has also been documented. There are various ways of enhancing access security using passwords (see Alexander 1995).

Appropriate education of users is an initial first step in which information is given concerning ways of ensuring that passwords are not disclosed, guessed, or otherwise compromised by the user in question. Systems should be used which change passwords regularly, or which deny access after a specified number of consecutive tries using invalid passwords. Terminals should have automatic shutdown facilities when they have not been used for specified periods, such as five minutes. Single use passwords, where the password changes with every successive login according to an agreed protocol known to the user and system operator, could also be used. The Secure ID card, for example, generates a new password every sixty seconds which is a function of the time and a secret 64-bit seed that it unique to the card (Denning 1998: 44).

Challenge-response protocols may also be used as a means of carrying out user authentication. The server generates a random number which is sent to the card. In a public key system, the card digitally signs the number and returns it to the server. The server then validates the digital signature. Alternatively, call-back devices may be used. After the user dials into a computer through a modem and gives his or her identity, the system disconnects the user and then telephones the user on a number previously registered with the server. After the user is verified, the transaction can then proceed (see, for example, NetCrusader 1S9u9ch8) A system is, however, able to be overcome through the use of call forwarding arrangements (Denning 1998: 45).

Cardholder Verification

One of the greatest areas of risk associated with electronic funds transfer systems relates to the way users' identities are verified. Some of the most recent suggestions for improving security in this area include the use of various biometric means of verifying identity such as signature, fingerprint, palm, lip, ear or retina scanning (Sullivan 1987). Masuda (1996) provides an examination of a credit card crime prevention strategy employed since 1993 by Tops Appliance City Inc. in New York called 'Cardwatch'. This involves a computer network in a chain of retail stores in which credit card applications are checked by photographing the applicant digitally, recording the applicant's signature and other identifying information such as driver's license, telephone and social security numbers, present address and current or last place of employment. This information is then used for future purchases and when the customer collects merchandise.

Such an approach employs two fundamental checks on identity: something an account holder possesses (the card) and something that an account holder is (photograph etc). Because information is recorded about the individual, offenders are reluctant to take out accounts fraudulently. Cardwatch resulted in a ninety per cent reduction in credit card fraud losses over a seventeen-month period following introduction of the scheme, with a fifty-seven per cent reduction in per fraud loss.

Value Restrictions

As an alternative to target hardening, it has been suggested that the risk of large-scale fraud and money laundering using electronic funds transfer systems could be restricted by placing limits on the size of transactions. Mackrell (1996), for example, has suggested that stored value cards should have a modest limit placed on the maximum value that can be stored on them, especially if they are to be used for card-to-card transfers. There could also be a limit on the life of the cards which would restrict their usefulness for hoarding and money laundering. In the case of Internet commerce, electronic restrictions could be placed on the value of transactions to avoid the possibility of large scale fraud, although this may be seen as an unwarranted intrusion into freedom of electronic commerce

Protections against Card Counterfeiting

Newton (1995) describes various crime prevention strategies which have been used to prevent plastic card counterfeiting. These include the use of security printing; micro-printing; holograms; embossed characters; tamper-evident signature panels; magnetic stripes with improved card validation technologies and indent printing. Smart cards, of course, are much more difficult to copy than ordinary magnetic stripe cards. Unfortunately, these card authentication devices have been overcome by organized criminals except for computer chip circuitry in smart cards, which has yet to be fully counterfeited successfully. Internet payment systems which do not rely upon plastic cards will, presumably, be much more secure and it may also be possible for these to operate in conjunction with biometric user identification systems.

Biometrics

One way in which problems of password and token security may be overcome, is for users to identify themselves biometrically. Already there are a wide variety of such systems being used which make use of an individual's unique physical properties. Common biometric identifiers today include fingerprints, voice patterns, typing patterns, retinal images, facial or hand geometry, and even the identification of a person's subcutaneous vein structures or body odours (Johnson 1996). The body odour system called 'Scentinel' was developed by the British firm Blood house Sensors and requires that you pass your hand under a sensor which records your unique smell and compares it with one registered in the database (Alexander 1995). It ignores extraneous smells such as perfume. Fingerprint identification systems are now being used in retail stores and for access to ATMs (Anonymous 1996

4.0 CONCLUSION

There is no single correct answer for the design and deployment of Internet firewalls. Many different factors such as their corporate security policy, the technical background of their staff, cost, and the perceived threat of attack will influence each organisation's decision. This paper focused on many of the issues relating to the construction of Internet firewalls, including their benefits, limitations, building blocks, and examples of firewall system topologies. Since the benefits of connecting to the global Internet probably exceed its costs,

network managers should proceed with an awareness of the dangers and an understanding that, with the proper precautions, their networks can be as safe as they need them to be.

5.0 SUMMARY

- Security has become one of the primary concerns when an organisation connects its private network to the Internet. Regardless of the business, an increasing number of users on private networks are demanding access to Internet services such as the World Wide Web (WWW), Internet mail, Telnet, and File Transfer Protocol (FTP).
- An Internet firewall is a system or group of systems that enforces a security policy between an organisation's network and the Internet. The firewall determines which inside services may be accessed from the outside, which outsiders are permitted access to the permitted inside services, and which outside services may be accessed by insiders.
- It is difficult to describe a typical hacker attack because intruders have different levels of technical expertise and many different motivations. Some hackers are intrigued by the challenge, others just want to make life more difficult for others, and still others are out to steal sensitive data for profit.
- After information about the targeted organisation's network is gathered, the hacker attempts to probe each host for security weaknesses.
- When designing an Internet firewall, there are several decisions that must be addressed by the network administrator
- As discussed earlier, an Internet firewall does not stand alone--it is part of the organisation's overall security policy, which defines all aspects of its perimeter defense.
- The most common Internet firewall system consists of nothing more than a packet-filtering router deployed between the private network and the Internet
- A wide range of technological solutions have been devised to reduce the security risks associated with conducting on-line business.

6.0 TUTOR-MARKED ASSIGNMENT

1. Mention firewall basic design consideration in decision.
2. What are the basic components of the firewall system?

ANSWER TO SELF-ASSESSMENT EXERCISE

See 3.3

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MODULE 4 OVERVIEW OF EVENT MANAGEMENT

UNIT 1: INTRODUCTION TO EVENT MANAGEMENT

1.0 INTRODUCTION

This unit dwells on the vital role of events in human history through to the present day. Attention drawn to events as artefacts of human culture only recently developed into a fast-growing and influential industry. This unit also provides an examination of the business environment within which the events industry functions. Some of the current queries raised by this fast development of the industry, and the education provisions designed to serve it, will be introduced in subsequent units.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- describe the basic characteristics of events.
- explain the evolution and history of events.
- analyse the structure of the current events industry.
- understand the relationships between the events industry and the education sector.
- acquire preliminary knowledge of event management.

3.0 MAIN CONTENT

3.1 Definition of an Event

There are various answers to this question, depending on the viewpoint of the person defining it. There are many definitions of ‘events’, available from various academic writers such as Getz (2007) and Goldblatt (2008). As such definitions become more detailed, their real-world

application becomes more problematic. Thus, this course- material provides a general definition as follows:

Events are temporary and purposive gatherings of people.

It follows that 'Events Management', as a field of industrial practice, should be defined as:

- The organisation and coordination of the activities required to achieve the objectives of events.
- The aims of this course are to discuss and evaluate the management of these activities in the context of various and common types of events within their wider industrial and societal context.
- In order to do this, a clearer discussion of the features of events which make them distinct from more general business activities is required.

Events generally possess the following characteristics:

- They are temporary in nature.
- They are gatherings of people.
- They are often display of ritual.
- They are, in some sense, unique occurrences.

Though these points may seem rather obvious, the more we observe the phenomena of events in our society, and their influence on our business and social lives, the more we could be forgiven for finding inconsistencies between these basic descriptors and that which we witness daily in the media, our neighbourhoods and even our own families.

3.2 Challenges of Events Management

Challenges for anyone seeking to manage the delivery of an event varies, hence; issues of concern to an event professional is different from that of a beginner leading to a conclusion that a coherent understanding of the events industry and its effective 'management' is almost impossible due to its breadth, complexity and fast-moving nature. Definition and categorisation of various events have resulted in some common labels, including mega-events, cultural events, special events, corporate events and sporting events.

Though categorisation of events should enable their management requirements to be easily communicated, in reality; these labels are often too broad and unclear to be useful. For example, many of the special events upon which Goldblatt (2010) bases his discussions could be categorised in several different ways. Whilst clearly recognising such problems, we decided to use many of these classifications as unit headings. Industry professionals still use many classifications, such as 'special events', to define certain event concepts; but terms such as 'corporate events' are widely recognised to include a variety of concepts, such as conferences, exhibitions or brand experience events, which are mostly more useful in communicating their ideas to targeted audience.

However, this course- material focuses on the systematic project management of the practices relating to the delivery of a variety of events; which require planning and delivery of events, regardless of their classifications, based on existing events management theory.

SELF ASSESSMENT EXERCISE

Mention basic characteristics of Event Management.

3.3 The Place of Events in Human History and Human Culture

Despite the obvious advantages of clear and certain information, particularly to those embarking on this field of study, it is worth remembering that events management is largely the modern-day practice of age-old expressions of human social interactions and activities. Before commencing an understanding of some of the mechanics of modern-day events management, a more historical view of their development through the ages may enable the learner to put contemporary events management into the context of its origins.

Ancient texts, such as the Christian and Jewish Old Testaments, record the early practice of festivals. These were enshrined in law and primarily took the form of the seven feasts of Israel, where the people of the nation gathered seven times throughout the year in religious celebration and remembrance. Various customs and rituals were practised, from the eating of the Passover feast through to the offering of sacrifices. Distinction of these different feasts are still practised today. These distinctions are evident and highly visible in the composition of various cultural outlook as you move from one continent to another. Nigeria being a multicultural country with composition of mainly six geopolitical zones (North central, North west, North east, South south, South west and South east) manifest these distinctions richly.

World religions, such as Islam, later developed annual pilgrimages – such as the *hajj* to Mecca which now presents several significant crowd safety challenges. Religious compliance in Greece gave rise to the first, ancient Olympic Games. Modern-day festivals, such as Christmas, Osun osogbo festival in Osun state of Nigeria, Owiya osese festival amongst the people of Magongo in Kogi state of Nigeria and Halloween, also have their roots in such compliance, whether pagan or otherwise.

3.4 Event Industry Business

Reasons for the modernisation of event from its traditional origins was due to the changing culture and way people live as members of a developing, global economy. These changes which are visible globally sees festivals as a useful vehicle for revisiting and promoting indigenous culture and values in the face of invasion by foreign ones.

Festivals are generally common forms of cultural practice and, although many have long histories, the majority have been founded in the much more recent past (Getz 2005). The International Festivals and Events Association estimates that there are over 4.5 million recurring festivals worldwide per year (IFEA 2009).
Events have a substantial impact on the UK national economy. In 2010, a report entitled 'Britain for Events' was compiled by leading industry figure Tony Rogers on behalf of the Business Visits and Events Partnership. The report revealed that:

- The sector is worth over #36 billion per annum to the national economy. Business visitors spend on average #131 per day – #72 more than the amount spent by leisure visitors – while visitors to UK exhibitions from overseas spend #193 more per day than leisure visitors to Britain.
- Trade transacted at exhibitions and other business events held in the UK is conservatively estimated to be worth over #100 billion.

- There are over 25,000 businesses in the sector, which sustain at least 530,000 full-time equivalent (FTE) jobs.

In Nigeria, ……..

3.5 Function of Event Manager

The growing importance of events sector to the national economy means that there is a greater need than ever for trained specialists to plan, organise and deliver what are sometimes mammoth events. As with most occupation, there has been some discussion of the traits, attributes and skills that the modern-day event manager needs to possess. The leadership style, skills and qualities acquired are essential components of functionality of events management education which is required of future event managers.

SELF ASSESSMENT EXERCISE

Highlight the functions of an Event manager of your choice event within your locality.

3.6 Event Occupation and Education

A lot of institutions worldwide now offer formal qualifications and training in events management. These have widely varying emphases, levels of required practical work experience to be undertaken by learners, delivery styles and types of resulting qualifications. Some of these variations have developed as artefacts of the institutions' individual national education systems. Others are as a result of the practical nature of events education when compared to other disciplines. Certainly, as industry requirements become more clearly articulated and understood, and education providers work more in tandem with them, increased cohesion between the planned educational outcomes of events management study and employers is likely to arise.

Hence, the need for establishment of events employees' detailed attributes which prepares event industry practitioners and educationist for a lifelong career in the events industry. This also requires the need for graduates to possess more than just the skills and competences required by employers at the entry level to graduate employment. There has been some effort on the part of academics to build a clear Event Management Body of Knowledge (EMBOK) model. This model attempts to integrate skills in event domains of practice with the values by which they should be practised and the systems of working at each stage of an event's management.

The obvious limitations of EMBOK have led organisations such as the Canadian Tourism Human Resource Council to spearhead the development of an industry-led alternative – EMICS: Event Management International Competency Standards project (CTHRC, 2011).

4.0 CONCLUSION

The main aim of this introductory unit is to provide a working knowledge of the field of events management. This unit has given a general summary of the development of the present-day industry and has outlined some of the fundamental questions for both learners and practitioners in the field. This course material has been designed to cover the wide variety of events that make up the subject matter of most Events management courses, as well as to provide practical event management skills and knowledge.

5.0 SUMMARY

This unit dwelled on the evolution of events as part of human culture, from their historical foundations to their present-day status as part of a global industry which is a major revenue earner for entire national economies. This rapid and substantial contemporary development has included the revival of many traditional events in a modern-day context, as well as the introduction of many new events, all of which demand knowledgeable, qualified and professional event managers to deliver them.

All the units in this course material present basic definitions and descriptions of the key management practices presently employed in the events industry and then linked to the most important theoretical and management frameworks used to inform their successful practice. As event academics and practitioners, attention is given to present industry thinking and practice, whilst simultaneously attempting to challenge anything that might be considered outdated or inconsistent. In such cases, new or adapted models and theories have been proposed in order to stimulate debate and new practice in this fast-moving, international industry.

6.0 TUTOR-MARKED ASSIGNMENT

1. Identify Festivals within your geopolitical zone and report how one is being managed by employing your knowledge of event management.

7.0 REFERENCES/FURTHER READING

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UNIT 2: EVENT PROJECT MANAGEMENT

1.0 INTRODUCTION

As projects, events normally have fixed budgets, precise timelines, and limited resources, including employees, suppliers, venues and volunteers. Organisers of events are therefore responsible for the management and delivery of projects. Project management has developed processes and techniques to help plan, organise, lead and control events, and it can be used to make event projects more successful. This unit discusses these techniques outside of the simple application of limited, functional management theories and argues that, when applied

correctly, event project management can yield better and quicker results to plan and deliver events.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- identify the importance of event project management to events industry.
- explain the organisational issues that are taken into consideration in events management projects.
- relate event project management to conventional event planning theories and practices.
- explain the processes related to efficient and effective event project management throughout the event cycle.

3.0 MAIN CONTENT

3.1 Events as Project

Projects are distinct from the day-to-day processes of an organisation. Pinto (2010) observes that 'Project work is continually evolving, establishes its own work rules, and is the opposite of repetition in the workplace.' Events are projects because they are of limited duration, require a degree of coordination of tasks towards goals, usually have a fixed budget, and are unique occurrences. Whilst each event requires a combination of the management functions, they are different from most business processes in that they do not generally exhibit the ordinary day-to -day processes of most organisations. For example, small event offices in hotels or conference centres can organise a wide variety of one-off events. Even though several wedding events might, to some extent, have similar features, different influences – such as the bride and groom's specific requirements, attendance size, desired service style, budget and programme – may make each event distinct. Although a single event manager may lead all these separate events, they will be classified as distinct projects.

Figure 1 below shows how most events display the characteristics of projects. This tendency usually increases with the size and scale of the event. Each of the characteristics of events are expanded in the subsections below.

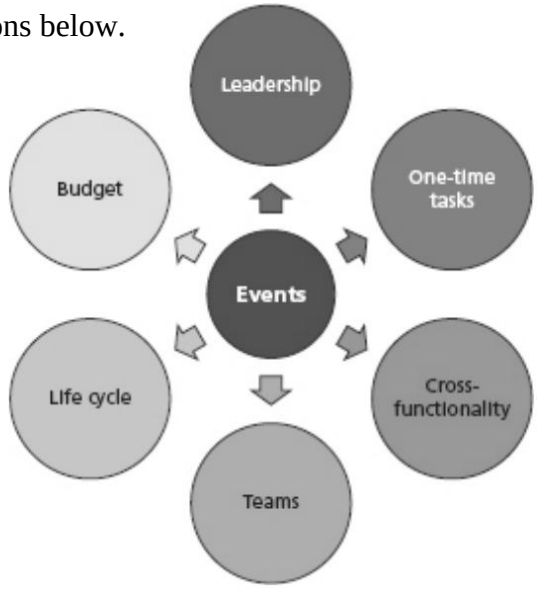

Fig.1 The characteristics of events as projects

Leadership: Events are often the ultimate responsibility of one lead event manager who coordinates specialist functions. The centralised and hierarchical nature of the leadership role can depend upon the scale of the event. A mega-event, such as the Olympic Games, has a national planning committee ultimately accountable to its international parent, whilst corporate events are often under the direct leadership of a single event manager. There will be more discussion of this unusual leadership role as we advance in this unit.

Budget: Events almost always have specific budgets allocated to them. The accurate calculation of such budgets often includes difficult predictions of fixed and projected variable costs in relation to forecasted attendee numbers. Such calculations cannot be considered reliable if made in isolation from other important project factors, such as schedules, timelines and project life-cycle stages. For example, cuts in government funding will certainly curtail the provision and scale of public sector events.

Life Cycle: Each event has a defined beginning and end within its life cycle. There are a variety of life cycles proposed in the field of project management to aid managers in distinguishing key phases throughout a project's life. However, the models of business cycles used by such industries as engineering and software development tend to accommodate the tendency in such industries for the phases of each cycle to be definitively completed, leading to the definite beginning of the next phase. Event project managers do not often have this luxury, as they are required to handle multiple tasks, contractors and other (often complex and interrelated) factors simultaneously. This is particularly the case with large exhibitions, which can often take two years to plan and execute for delivery over a single week. In practice, this means that major exhibition organisers are likely to find themselves managing both this year's and next year's events at the same time. An international organisation such as Gartner, which operates across a number of continents at any one time, often has to have team members who are geographically spread working on a variety of different projects at any given time. This demands effective communications, which makes project management software packages, such as Microsoft Project, and international databases imperative, so that team members can alter event details and send immediate project updates to their colleagues through the company's international intranet.

Task: Events often require the performance of tasks that will not be repeated, even in recurring annual events. The complexity of certain larger events means that even seemingly simple tasks or functions – such as catering, volunteer recruitment or themeing – must be approached in a distinct manner in order to reinforce the uniqueness of an event from year to year. This obviously becomes even more complicated when an event moves location or venue, even if the concept of an annual event remains consistent. Add design and production elements and the tasks become even more complex and variable for different events. Olympics organising committees often found it difficult to learn from past events because, even though the basic format of such mega-events remains constant, many of the problems and complexities differ due to changes in the city where the event is being held and such factors as culture, government legislation and even the basis on which initial bids by individual cities emerged varies.

Cross Functionality: Event organisations are likely to be required to work cross-functionally, without formal authority. This principle mainly depends on the type of event project being managed and the corresponding organisational structure required for ideal effective and efficient execution. In other words, as most industries have clearly needed to adopt project management techniques in order to improve their performances, event managers have always, in a sense, been project managers due to an ongoing need for them to have versatile skills in a number of key business areas in order to be successful. Indeed, as this

course- material suggests throughout, event project managers do not have the luxury of simply being good financial managers, as they must also be eff ective marketers and human resource managers – and almost anything else that's required.

Teams: Events require working teams to be brought together only for the duration of a project. Most event organisations tend to vary their approach towards formality of event leadership and the corresponding organisational structure; it is not uncommon for the makeup of teams employed on particular events to vary according to a variety of factors. Goldblatt (2005) applies Toffler's (1990) discussion of the 'pulsating organisation' to events, particularly in relation to the fluctuating numbers of volunteers required throughout the events cycle. Events such as trade exhibitions have often staggered delegate registration, giving priority to trade deals on the first day, the general public on the second day and students towards the end of the third day. Obviously, this is based on trade considerations, but it can result in some exhibitors leaving early and there being a need for fewer volunteers and other workers. These workers are required in larger numbers for the event set-up and breakdown, but not in the middle of the event. Thus, this organisation 'pulsation' takes place in accordance with the event cycle.

3.1.1 Event Project Life Cycle

Events have a distinct timeline and life cycle. Diagrammatic illustration in Figure 2 below demonstrates the link between an event's stages – from initiation to closure – and the levels of activity associated with these stages throughout an event's life, from start to finish. This classification has proven generally useful to event project managers in order to understand levels of activity required at the progressive stages of an event's conception, research, planning,

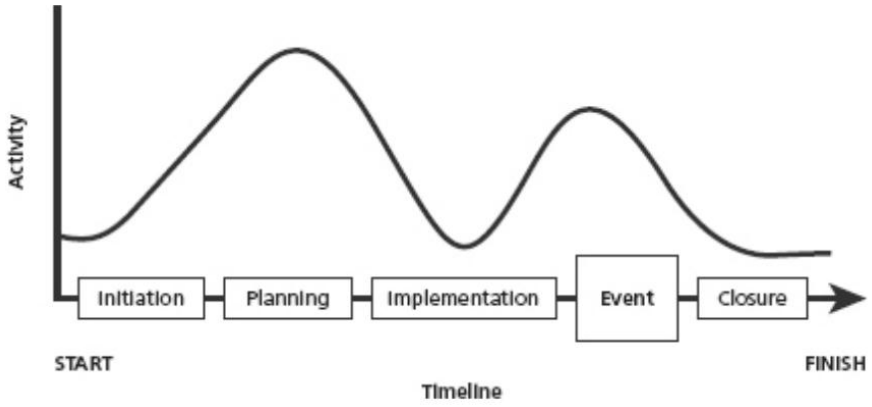

Figure 2: The event project life cycle (Source: Silvers 2007)

3.2 Project Management Perspective

In consideration of application of project management to events, a project leader must consider their overall perspective. According to Kolltveit *et al*. (2007), there are six (6) major perspectives to project management, all of which can be applied directly to the management of event project. They are:

- **Task perspective** focuses on the delivery of the event as specified, on time and within the set budget. It is important to clients that such projects as corporate events and weddings meet the criteria specified beforehand as they represent the most tangible and measureable success factors for the event. All event project team focus on the scope of the event concept and operations, as well as clear targets, measureable results for

evaluation, high levels of ongoing project supervision and tangible event legacy criteria. This has certainly been the approach thus far with the types of modern mega-events (Olympic games) described earlier. These events, such as the Olympic Games, focus on the tangible measures necessitated by the adoption of the task perspective to events.

- **Leadership perspective** to event projects depends upon theories of leadership styles, communication styles and processes, decision-making, management of team characteristics and organisation, clear allocations of team members' functions and responsibilities, interim milestone delivery dates, reviews and feedback.
- **Stakeholder perspective** to event projects is heavily used in the events industry and focuses on identification of key stakeholder groups and the management of their relations to ensure event success.
- **Transaction-cost perspective** to event projects views the production of an event as a commercial transaction and mainly focuses on governance of the project and its cost structure with dependence on contracts and innovation.
- **Systems perspective** to event projects views the event as an overall holistic system, rather than made up of individual, functional components such as marketing, finance, design and so on.
- **Business-by-project perspective** to event projects views events as individual investments which yield returns or benefits. This perspective relies upon investment methods and portfolio management, among others. While this approach is probably more common with the development of technological innovations through business start-ups, most large event management companies, to some extent, maintain proprietary interests over a series of diff erent event product concepts at any one time.

Kolltveit *et al.* (2007) found that the writers in the general project management field centre on the leadership and task perspectives. Certainly, the main perspectives adopted by events management writers to date tend to be based mainly on project tasks and stakeholder perspectives. It is argued that more investigation should be made into the relevance of the other perspectives to the field, those related to event leadership, due to the specific nature of the event planner's role as project manager of complex and highly variable events

Fig. 3 Perspectives on project management. Source: Adapted from Kolltveit *et al*. 2007

3.2.1 The core competences of an event project manager

An event project manager requires the application of the 5 project stages (initiation, planning, implementation, delivery and closure) and a variety of diverse yet interrelated core competences to achieve result.

Event managers need to be able to select suitable projects and, in the event of multiple products, they must be able to prioritise between them in relation to the requirements of their organisation. Such prioritisation will likely be related to strategic factors and overall

feasibility. Initiation of the project will require the event manager to be able to assemble the initial project team and stakeholders, which may include provisional agreements from key personalities associated with the event, such as top entertainers, leading sponsors, specialised designers and producers, as well as possible donors and benefactors in the case of voluntary and fundraising events. An event manager's ability to initiate an event project also relies upon their skill in developing an effective project contract so that further planning can continue.

Event project manager will need to be an experienced project planner of the event's key delivery milestones, processes and reviews to guarantee that the project is kept on track through effective ongoing performance measurement. There is also a need to highlight possible areas of conflict between different functions of the event team in these areas. There should be a project leader throughout an event, who is careful to harness the skills of others who are involved in the project and deciding when specific areas should be contracted out to other event specialists.

Event project manager needs to be competent to manage the event's scope, schedule, cost, procurement and resources. The risks to the satisfactory and successful delivery of the event itself will need to be accurately assessed and managed in the form of insurance and contingencies. As the planning and delivery of the event progresses, required changes will need to be identified and managed, aided by performance tracking and reporting. Communication should be facilitated via appropriate media during the event. Stakeholders need to be updated with developments and teams involved in meetings to foster a productive teamwork, consultation and feedback. Communication skills is required to negotiate with all parties connected to the event, both inside and outside the project organisation. The event project manager will eventually need to evaluate the overall accomplishment of the event's objectives and legacy as well as document its discoveries.

3.3 Event Project Definition and Organisational Framework

Following the foregoing discussion of events as projects and the various approaches an event manager might take towards them, it is now important to consider the most effective type of organisational structure for the event.

3.3.1 Functional and Project-led Organisation

Event organisations are often temporary and differ slightly, depending on the project concerned. They will have a structure with predefined reporting relationships, functional 'departments' and systems to carry out the project. *Functional organisations* group members of staff who perform similar tasks into departments, as is shown in Figure 4 *Project-led organisations* group people into temporary teams for the duration of a project.

The events industry clearly comprises both types of organisation. Certainly, an international event venue, such as Excel in London, has a functional infrastructure of departments responsible for such activities as financial management, operational management, human resource management and so on. No doubt event organisations, such as Gartner – a project-led organisation – will use different people on different events as the concept and brief dictate. An example of a project-led organisational structure is shown in Figure 5.

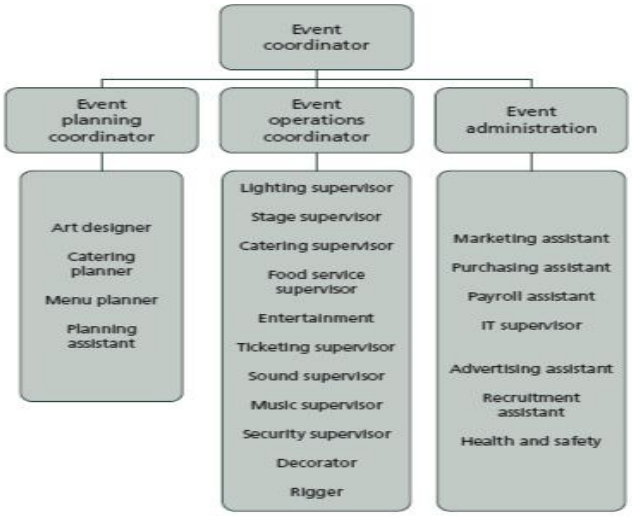

Figure 4: Functional event organisation.

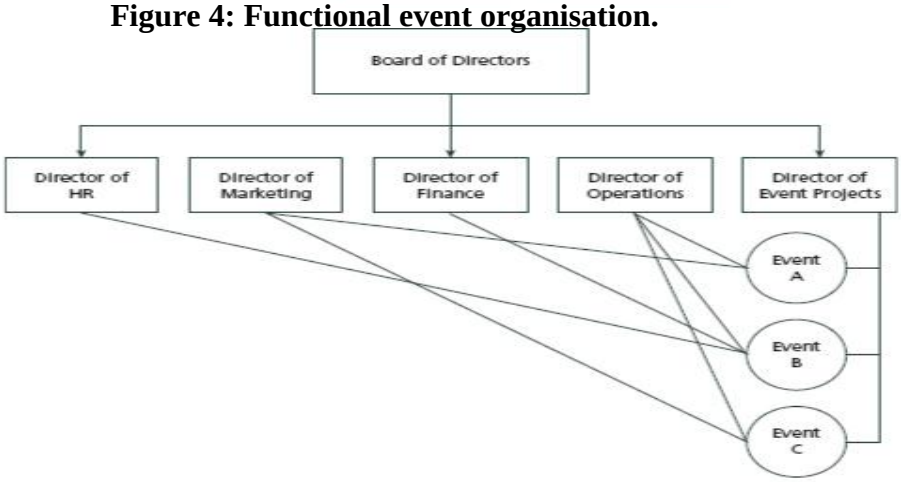

Fig. 5: Project-led event Organisation

Matrix organisations combine functional and project-led structures in order to perform both focuses at the same time, as illustrated in Figure 6. This structure enables both a project-led and a functional approach to events, so it is particularly suitable for this industry. Nevertheless, it should be noted that in order for the matrix to be project-led, it is important that authority and responsibility for important event project elements – such as budgetary and other resource control – reside with the project manager at the event level rather than the functional manager of the department under which the event is being delivered. Failure to adopt this approach will tend to weaken the matrix and relegate the event project manager to the more minor role of administrator.

It may be tempting to adopt the matrix structure without reservation, considering its appeal in combining the best of both functional and project-led structures. In many cases, this structure does indeed profit the event in question, but there can also be a number of problems with it. In particular, the decision-making processes of an event, particularly during the delivery stage, often have to be very flexible in order to respond immediately to sudden crises or changes in the event's micro or macro environments. The matrix approach often slows down these processes as the project group is required to spend too much time in consultation across areas of responsibility before reaching a consensus. This can lead to serious delays and severe, yet unnecessary, project failures.

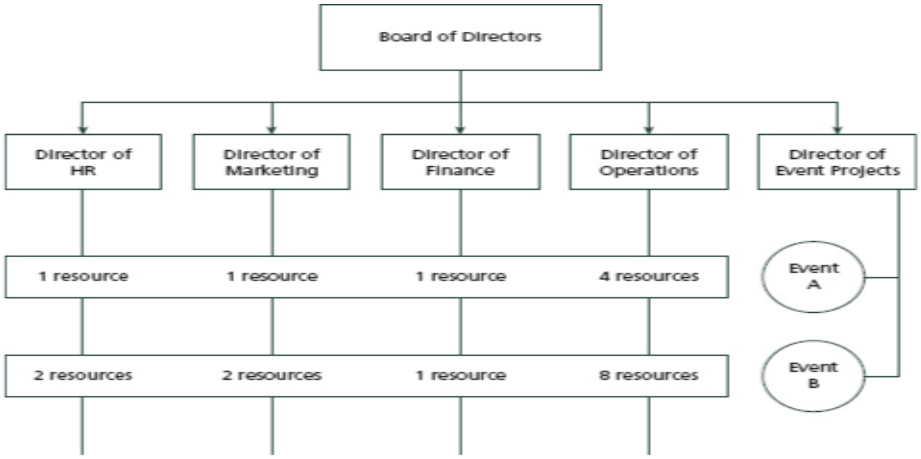

Fig. 6: Matrix event organisation

SELF ASSESSMENT EXERCISE

List the strengths and weaknesses of each of the above event organisation structures.

3.3.2 Project Leadership

Whether an event organisation uses a functional, project-led or matrix structure for its events, its choice will, for the most part, dictate the type of leadership which is most practical for that particular structure. The leadership of the organisation, along with its structure, will in turn heavily influence its project culture, which will have its own influences on the delivery of the event itself. According to Pinto (2010), project leadership 'involves inspiring, motivating, influencing, and changing behaviours of others in pursuit of a common goal'. Event project leadership therefore diff ers from management and administration tasks and responsibilities, which are mostly functional, and focuses on the actions of an individual in their relationship with others who are involved in the event.

Kurt Lewin – one of the pioneers of analysing organisations, carried out research into leadership styles. In their 1939 paper, Lewin *et al.* identified three main, prevailing leadership styles which shaped.

- authoritarian;
- democratic; and
- laissez-faire work environments.

Authoritarian work environments are led by an autocratic leader who makes decisions on behalf of the team and divides work tasks and processes, accordingly, providing critique of the team's performance whilst often not engaging closely with either the team or its activities. Democratic work environments have leaders who consult team members to arrive at consensus regarding important decisions, off ering guidance as required, as well as praise and constructive criticism throughout. Laissez-faire work environments have little tangible leadership input, with the leader allowing all major decisions to be made and executed by the team members themselves. The latter demonstrate 'free rein' and receive little input or feedback from the leader.

3.3.3 Project Organisation

Any event project manager must have the ability to form teams, as this is crucial to the success of any event's production. Team members selection and placement in functional groups is often not the most efficient or effective means to staff an event, as this does not suit the common structure of the event organisation. It may also suffocate the creativity of design of team members. Therefore, team members and their formal and informal interrelationships should ideally reflect accommodation of the cross-functional activities associated with the events industry. For example, the event's security detail will often also be involved in safety and customer service provision, so the team should be built to enable these important and interrelated capacities.

Teams and teamwork are usually more effective than individuals in event projects since:

- Teams allow more to be achieved as they can accomplish a much wider range of tasks and workloads.
- Team members usually have a wider range of skills, specialisations and thought processes which can be drawn upon in the solution of event problems.
- Teams often make better decisions.
- Teams often provide a better environment for motivation and can support each other better.
- Team members are more open to risk-taking as risk is spread across more people associated with an event.

According to Maylor (2010), effective project teams require:

- clear goals
- a results-driven structure
- competent team members
- unified commitment
- a collaborative climate
- standards of excellence
- external support and recognition
- effective leadership.

3.4 PROJECT PARAMETERS

3.4.1 Project Scope

Project scope is undoubtedly the largest area in current events management literature. Most process diagrams, including Figure 7, tend to relate to ‘event planning’. This figure incorporates the main scope aspects, which, according to Pinto (2010), consist of concept development, statement of scope, work authorisation, scope reporting, control systems and project close-out.

The problem statement commonly clarifies the reason why the event is taking place, including what it intends to achieve. This can vary even when the same event is held in consecutive years at the same venue. It is vital to gather accurate information – on both the internal and the external operating environments – in the event planning stage. These important activities can take months – or even years, in the case of mega-events – and often form the largest part of the overall feasibility study for the event.

Figure 7: Event planning process

3.4.2 Project Requirements Constraints

Hindrances to the event's staging, financing and other practical issues need to be considered, as do contingencies and alternatives. Alternative designs, themes, venues and entertainment options are often made provision for at this point in the event concept's development.

3.5 Stakeholder Requirements and Needs

Stakeholder analysis has a wider definition of the number of parties affected by an event's activities favoured to the narrower, profit-orientated definition used by other business-related fields. In other words, events' often wide-ranging influence and impact on communities and nations make it necessary to consider the needs of all parties affected by them in stakeholder analysis, whether they actively participated or not. This project stage will therefore include the analysis, monitoring and evaluation of the needs and requirements of investors, employees and attendees who seek to benefit from the event's delivery, as well as those of local area residents who may even try to avoid the event and its impacts completely, yet are seriously affected by them.

3.6 Project Objective Statement

Event objectives form the key direction for the following stages of the project's planning, delivery and evaluation. These objectives provide specifics for concept screening and feasibility analysis and form the overall direction of activities for the project team and associated event contractors to arrive at the accomplishment of the event's outcomes. These must be specific and measurable, where possible, in order to be effective indicators by which the event can be conceived, kept on track, effectively delivered and evaluated. To aid this, Doran's (1981) popular SMART acronym is often used to describe effective event project objectives:

- Specific
- Measureable
- Assignable
- Realistic

- Time-related.

Though not at all scientific, this acronym is a useful guide to the formation of useful objectives. As with any business system, the project objectives will only ever be as effective as the team that sets them, but making them as clear and communicable as possible will help to ensure their effective decoding by important stakeholders, contractors and others associated with the effective outcome of the event.

There is a great deal of discussion about the suitability of the 'management by objectives' approach in events management projects. Certainly, a project team were to set, achieve and evaluate its own objectives, that may be circular and self-fulfilling. However, the sheer scope of certain events and their potential for instability demand the clear formulation and communication of an effective project objective statement, albeit one that might be modified as the project progresses

3.7 Project Planning

3.7.1 Work Breakdown Structure

For even the smallest events, most managers will agree that contrary to the linear nature of several of the popular event planning models that are currently in use – the process of an event project involves a variety of interrelated tasks and functions that need to be broken down into smaller, more clearly distinguishable and easier-to-manage subsections. This work breakdown structure is essentially the basis for the EMBOK model, and it once again attempts to 'departmentalise' event activities into the previously criticised functional structure. On the other hand, it is reasonable to suggest that the successful future of the event management industry depends upon employees who can understand the working dynamics of the smaller elements of event work breakdown.

Work breakdown is vital in event projects for several reasons. It enables a clear link to be established between **objectives** and the **tasks required** to achieve them; it allows those tasks to be practically divided into functional responsibilities; and it makes progress more tangible for those participating in the event's delivery and for its stakeholders. It also enables more effective evaluation and cost allocation.

3.7.2 Project Schedules

Time is a crucial resource in the management and delivery of event projects, not least because event dates often cannot be moved on account of venue availability, other resource availability and the need for up-front procurement payments and deposits. The flexibility of the aforementioned factors also makes delays more likely than in other project-related industries.

3.7.3 Resource Breakdown Structures

The main event project resources can be broken down into:

- ***People*** **–** comprises of the expertise and skills of event specialists, such as designers, specialist entertainers, decorators, those associated with specialist staging activities as well as front-line personnel engaged in customer service delivery and other interactions.
- ***Facilities*** **–** this includes the venue, site and associated amenities, which can also include location and even destination attributes that contribute greatly to the success of any event.

- ***Equipment*** **–** this includes all plant and machinery, from transportation vehicles through to cooking equipment, lighting rigs, sound systems, scaffolds, portable dance floors, toilets and even personnel uniforms.
- ***Finance*** **–** as discussed later another unit.
- ***Materials*** **–** including anything that can be used to make something else, such as timber, decorations, foodstuffs and paints.

3.8 Project Optimization

3.8.1 Critical Path Analysis Methodology

Critical path analysis requires the analysis of all project tasks. Task dependency – that is, the relationship between the completion of one task before another can be commenced – also needs to be carefully considered. The construction of the critical path analysis of an activity network usually begins with breaking down the activities necessary for the planning of an event and estimating as accurately as possible the earliest and latest start times and duration of each. This is illustrated in Figure 8.

By noting each event activity using the above method, the activities can then be represented as an activity network, displaying the relationships and dependencies of tasks to each other. The values in the bottom left of the boxes can be calculated in order to determine how long the project will take. The critical path is the longest path through the dependent activities.
Critical paths often incorporate elements of contingency planning, also known as capacity constraint buffers (CCB) – a reserve of resources allocated to project tasks that can be drawn upon to facilitate the achievement of particular targets if things do not go according to plan. For example, project managers of specialist corporate events that use an event producer as a central agent for all concept development, design and logistical arrangements will need to protect them as a resource at each stage of the project process. This becomes even more necessary if the producer is working on a number of different projects simultaneously. A CCB must be applied to protect the producer's time as they transit from one part of a single project to another, or one project to the next.

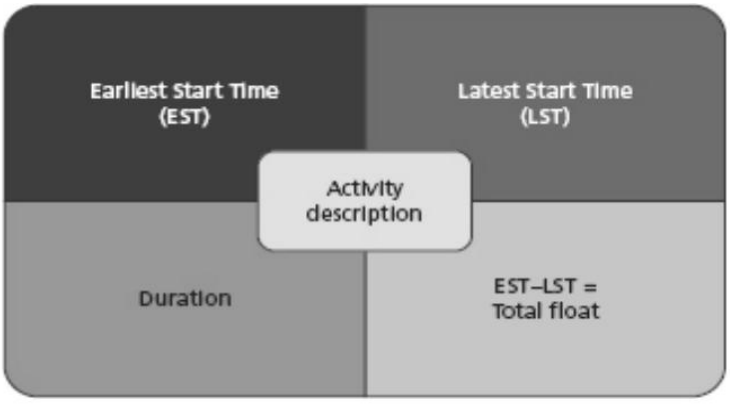

Figure 8: Activity Notation

3.9 Project Evaluation and Review Techniques

An event project requires ongoing evaluation and review to avoid delays and to manage ongoing changes. Such delays or changes might result in undesirable increases in costs in other types of project, but in event projects they might be lethal to effective delivery

3.9.1 Evaluation criteria

It is important that the event project team has methods in place to ensure the ongoing evaluation of project scope in terms of its continued adherence to the parameters set by the event objectives. These controls will concern each of the financial, marketing, design and operational areas related to the event and will need to be supported by relevant documentation of such aspects as expenditure and communication to ensure the initial plan is being adhered to and not changed without authorisation.

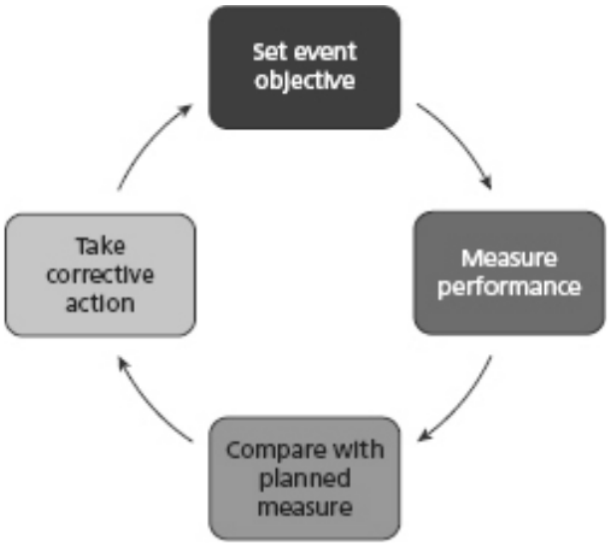

Figure 9: The event project evaluation cycle

Such concerns will also extend to the ongoing monitoring of the event's macro and micro environments. For example, international events rely heavily on attendance by visitors who arrive by air. Any major changes in airline pricing, perhaps as a result of government taxation or direct market factors, may therefore greatly affect potential ticket purchases before the event and may require some corresponding strategic changes to be made.

3.9.2 Review Techniques

The event project will require continual evaluation throughout its life cycle. Many event projects are heavily reliant on stakeholder involvement and their promised legacy. They are also frequently subjected to ongoing, critical media scrutiny. These factors, in addition to the usual financial requirements associated with non-event projects, such as return on investment and protection of profits, demand that regular systems are in place to evaluate achievement of the event's key deliverables. The basic process of event project evaluation involves four main reflective stages (see Figure 9).

Key event areas which will require evaluation will likely include activity tasks, project milestones and budgetary indicators. Milestones, whilst being clear enough for all team members to understand, present problems if the project suffers serious delays. In such cases, the shortfalls are often revealed too late for them to be rectified immediately. One common way of evaluating and tracking project baselines is with the use of Gantt charts, as shown in Figure 10.

The evaluation of any event project depends upon the effective definition and use of critical success factors. Pinto (2010) classifies these factors into:

- project mission
- top management support
- project plans and schedules
- client consultation
- personnel
- technical tasks
- client acceptance
- monitoring and feedback
- communication
- troubleshooting

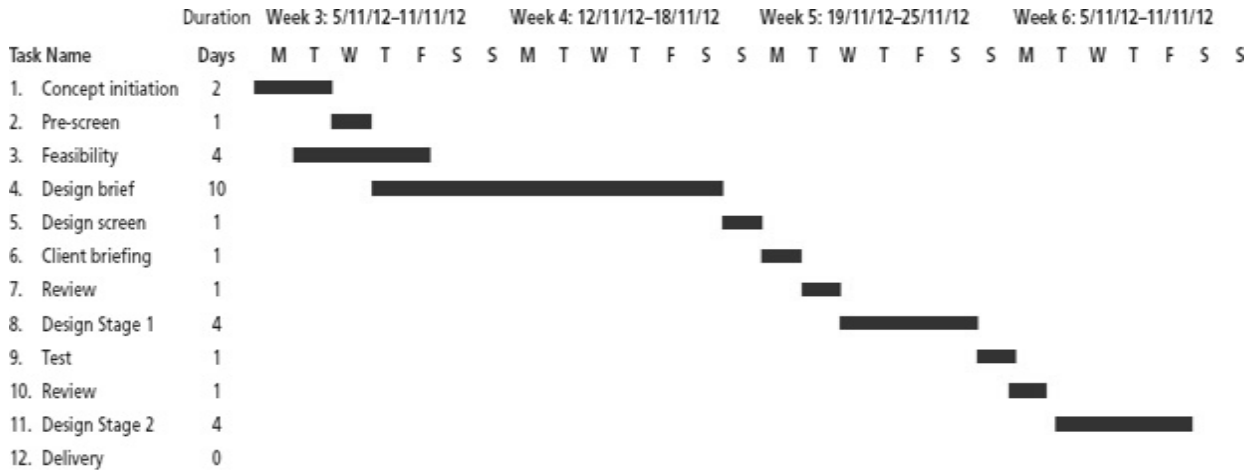

Figure:10 Event project tracking Gantt chart

3.10 PROJECT CRASHING

Project crashing in events denotes speeding up the delivery process. This becomes necessary when costs can be saved, and when competitor offerings seem likely to steal innovation or successfully imitate other aspects of competitive advantage. Finishing event production early can significantly cut development costs, which may be distinctly advantageous, particularly if this development process has fallen far behind schedule.

The process of project crashing in events might involve increasing the productivity of the existing events team, increasing the resources allocated to the event – which can be in the form of more people, plant and/or equipment – or altering working methods. One way in which crashing can be accomplished is by using more efficient technology for such activities as project meetings, information sharing, ongoing team communication and operational concerns, such as ticketing, sales and reporting. As the project team becomes more liable for financial penalties due to delivery delays, project crashing will likely become more attractive. Crashing can also be achieved by simply contracting out event-related tasks to third-party agencies, thereby freeing up internal resources for reallocation elsewhere. Of course, such outsourcing generates its own set of problems.

3.11 Project Risk Management

3.11.1 Definition of Project Risk Management

Pinto (2010) defines risk management as: ‘the art and science of identifying, analysing, and responding to risk factors throughout the life of a project and in the best interests of its

objectives'. Our discussion of risk management here is limited to the successful completion – or otherwise – of an event project. (Risks related to the health, safety and welfare of event attendees and employees shall be discussed in depth later while Entrepreneurial risk management, which includes consideration of monetary loss and gain, shall also be discussed later).

Anyone who has worked on even the simplest event project will recognise the complications caused by the unpredicted intervention of problems relating to resources, timings and changes, particularly in the context of the uncontrollable macro environment. The ultimate success of such event projects invariably rests on the project team's ability to solve or lessen the impact of these problems. It cannot be argued that a successful project simply faces fewer problems than an unsuccessful one. It is much more likely that a successful project manager has accurately predicted potential hazards that may come along throughout the project's schedule and has implemented satisfactory contingency measures well in advance. Thus, the art of successful event project risk management lies in the manager's ability to predict the future as accurately as possible.

In order to predict intervening variables before they cause serious problems, event organisers need to ask themselves:

- How might these problems present themselves?
- What will be the symptoms or signs that such problems are occurring?
- What are the likely consequences of doing nothing?
- If something needs to be done, what should it be?

The above questions form part of an internal and external analysis of the event organisation's environment, as discussed earlier in this module.

3.11.2 Classification of Project Risk Management

Risks need to be assessed in terms of their potential impact on the success of the project and where the source of their control lies. Wysocki (2007) divides risk into the following four categories:

- Technical
- Project
- Organisational
- External.

Projects sometimes fail because suitable technical resources, such as people, expertise or equipment, are unavailable. For example, in production-driven events, there is often inevitable dependence on the creativity of the design team. Staff changes, resignations, disagreements and even illness or death can cause key team members to leave important projects, resulting in significant gaps. In such cases, it is often not a simple case of replacing one person or role with another. For example, two event industry design directors may be rated equal in terms of ability but still have have significant creative differences in the way they approach a project.

Charity events often rely on a steady stream of willing volunteers to maintain effective delivery levels, but failure to attract a suitable profile of volunteer can have a serious impact on the success of event projects.

3.11.3 Use of Buffers

Though work tends to fill the time available, event project managers can use time and cost buffers in order to offset the impact of several of the aforementioned problems. As their names suggest, cost buffers are extra funds that can be allocated in emergencies, while time buffers are extra hours that can be allocated before the project delivery deadline to offset delays in the schedule. Such buffers are often employed in traditional projects and they frequently help managers overcome problems, but the constraints of event projects can mean that buffers are sometimes ineffective in this sphere. For example, Edo sports festival postponement due to Covid-19 pandemic. The decision is to ensure the spread of the pandemic is minimized considering the contagious nature of the virus/bacteria.

3.12 Project Cost Breakdown Structures

3.12.1 Total Cost

Costing of event projects will likely emphasis price, cost or profit, depending on which is the most relevant to the project in question. It can generally be approached from a top-down or an add-on perspective, depending on whether a fixed budget is provided. Costs will usually be forecasted for events using fixed and variable costs for the resource groups listed earlier in this unit, which will be subtracted from the forecasted revenues eventually gained from ticket sales made at target prices. Clearly, there are complications to this approach which relate to returns on investment, cash-flow considerations and other event-specific finance issues. However, it should be noted that the conventional project management methods regarding cost management tend not to be directly applicable to event projects because the latter rarely present opportunities for guaranteed financial returns. Moreover, cost reductions can rarely be achieved by simple labour reductions (as is possible in other project-based industries), because of the labour-intensive nature of event projects. Also, many events are produced for the not-for-profit and public sectors.

3.12.2 Cost Monitoring

For cost monitoring to be successful, the event project manager must allocate costs correctly to each of the project tasks. These should then be reported at regular intervals by the individuals in charge of the relevant tasks' completion. It is essential with events that contractors are paid correctly, that ongoing expenses are carefully monitored and centrally authorised, and that costs are correctly allocated to the relevant departmental budgets.

3.13 Project Implementation

Project implementation concerns the delivery of the event from its live opening to its close. This will involve the practical completion of all the processes related to the tasks with all their associated considerations covered so far in this unit. The main articulation of this phase of an event will be incorporated into the events programme, which will include a statement beforehand of all the activities that are to be carried out, with the clear assignment of responsibilities for each. Depending on the type of event being staged, the project manager may decide to use a responsibility chart for each of the event programme elements, with an associated time schedule for their completion, as well as other relevant programme details, such as locations and other resource information. Each part of the event's delivery will require ongoing monitoring and reporting systems that should be as simple and user-friendly as possible. These will enable each party to implement their aspects of the work schedule successfully and to take effective remedial action if required. The major evaluative criteria the event manager is most likely to be concerned with include the completion of event

delivery tasks, timings and associated cost controls. The more forthcoming and useful this review, the more likely it is that the project manager will be able to remedy shortfalls in these important areas. Remedies may well include the application of predetermined, reliable strategies that will often need to be applied in coordination with the most important event stakeholders. As complicated as these methods may sound, their successful implementation will depend on the accuracy of the initial event project plan. They might well concern unforeseen circumstances stemming from the event's macro environment, such as adverse weather conditions or terrorist attacks, which may require the overall strategic direction of the event to be significantly altered or even abandoned altogether.

3.14 Project Shutdown

Event project shutdown can prove much quicker to implement than its initiation. An events-focused adaptation of Turner's (1999) framework for finishing work can be useful here, and includes the following elements which can be applied to event completion:

- Produce checklists of outstanding work.
- Hold frequent meetings of event teams to ensure that close-down problems are identified and solved.
- Release event personnel from certain teams as they are no longer required, then either reassign them to other parts of the close-down or release them from the project completely.
- Create a specific event close-down ‘task-force’ to complete outstanding work.
- Close-down contractors and suppliers that are no longer required to avoid unnecessary cost.
- Support the event project manager with a deputy with finishing skills.

Considering the importance of stakeholder management, event objectives and planned legacies, it is also important for evaluations of the event to be documented, including its problems, accomplishments and benefits. Some large event project management organisations, such as Gartner, also elicit attendee feedback through formal research processes, such as interviews and focus groups, at this stage of an event. Overall event evaluation will certainly be required for events that have involved the investment of public funds and those attracting a high degree of media coverage. It is also useful for events that will be repeated. Therefore, the project manager should ensure that the relevant information is planned for before the event is delivered.
Disbanding event teams can be problematic if not planned well in advance. Many event personnel can experience concerns about future employment, so there can be a tapering of team morale. Some event organisations try to combat this by holding debriefing meetings and end-of-event parties, which may include recognition and rewards for performance accomplished.

3.15 The Required Competences of an Event Project Leader

Following this in-depth analysis of the tasks of an event project leader, it is logical to present a brief consideration of some of the competences needed to lead an event project eff ectively. Dulewicz and Higgs (2005) in their study suggested that an eff ective project leader should possess the intellectual, emotional and managerial capacities outlined in the table below.

Table 1. Event project leader competences

Intellectual	*Emotional*	*Managerial*
Critical analysis and judgment	Self-awareness	Engaging communication
Vision and imagination	Emotional resilience	Managing resources
Strategic perspective	Motivation	Empowering
	Sensitivity	Developing
	Influence	Achieving
	Intuition	
	Conscientiousness	

4.0 CONCLUSION

This unit gives robust accounts of event project management and discussed in detailed all likely subtopics related to events, as a project.

5.0 SUMMARY

This unit has attempted to demonstrate that events are projects, yet they are managed quite differently from projects in other industries. The importance of proper application of project management to the international events industry should now be apparent. Proper application depends on an initial understanding of the difference between the organisational structures and processes of event organisation when compared to other types of business. Whilst it is clearly possible to relate project management to many of the conventional event planning theories and practices discussed elsewhere, the processes related to effective event project management throughout the event cycle should be noted.

6.0 TUTOR-MARKED ASSIGNMENT

1. You have decided to crash an event project in order to save costs. Discuss some of the problems linked with contracting out your event management functions to third parties.
2. Discuss suitable organization type for each of the following events:

- Planning committee for most recent World cup.
- Planning committee for a political party of your choice
- Planning committee for a cultural festival of your choice
- Venue specializing in wedding events.

7.0 REFERENCES/FURTHER READING

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UNIT 3: EVENT HUMAN RESOURCE

1.0 INTRODUCTION

This unit provides an overview of the human resource management practices and procedures used in the events industry as they relate to the effective staffing, training, management and motivation of employees and volunteers, which is mostly challenging for event managers, often because of an event's vastness and the disjointed and 'pulsating' nature of its temporary organisation. This unit provides event managers and learners the necessary understanding of the topic in relation to the practical challenges of their industry.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- analyse the human resource challenges of managing events.
- explain the process of event recruitment and selection.
- evaluate the complexities of managing event employees and volunteers.
- discuss methods of event employee learning and development.

3.0 MAIN CONTENT

3.1 The Event Human Resource Challenge

The human resource for an event behaves differently from that in other organisations, so the planning and management of people who make up the workforce at an event differ, too. This difference is not fully considered by Shone and Parry's (2010) view of a more monolithic, hierarchical events organisation, which recognises the need for the management of staffing priorities depending on the mission, goals, culture of the event organisation, as well as the event's size, required volunteer/professional staff mix, scheduling tasks, roles and expertise. Bowdin *et al.* (2010) and Getz (2007) also confine their scope to a broader discussion of personnel planning, recruitment, training and overall human motivation as it applied to workforce. Consideration given to human resource management (HRM) in the events industry as it relates to project management, is limited to generic management theories. Event organisations tend to be 'project-led' rather than functional, they do not practise HRM in the same way as permanent organisations. This is due to the fact that project-led event organisations respond to the requirements of each individual event they undertake, making traditional functional structures and their associated processes less helpful when assessing how to staff events and manage workers efficiently and effectively.

In the previous unit, events as projects entail managers to navigate the difficulties posed by stakeholder requirements, tight timelines and deadlines, limited resources and ongoing and constant change. Events also tend to have 'pulsating organisations' (Toffler 1990), causing the processes and practices explained here to be constantly revised in line with this fluctuating event environment.

As is often the case in the business world, the terminology applied to event staffing has altered significantly in recent years, in line with its increasing complexity. Twenty years ago, a practitioner or student would have referred to the staffing of an event as a function of 'personnel management', rather than using the current preferred term 'human resource management'. Walton (1999) suggests this change resulted from the increased complexity facing HR professionals. There has been an accompanying change in expectations of how employees might perform in organisations, as well as varying expectations of what people hope to derive from work itself.

3.1.1 Event Personnel

Goldblatt (2010) explained event workforce mainly as a resource, based on the notion that events are largely staffed by volunteers and that the primary focus of 'events leadership' is to source sufficient numbers of volunteers from various groups within a local community. This early perspective seeks to address the difficulty of obtaining large enough numbers of people to work on events. However, it fails to stress th]at events are created by people who are effectively producers of the event experience, and therefore play a much more important role than simply a resource which should be acquired in sufficient numbers.

Thus, Van der Wagen (2007) views events as 'a new context for human resource management'. She argues that people are not just an essential resource for an event, but a key success factor. Building on this salient point, events as gatherings of people are conceived, designed and delivered by people, for people. As discussed in the previous unit, if an event's designer wishes attendees to be either immersed or absorbed in a particular experience, event staff will be essential to achieving this. Such an important role will often be key to an event's successful staging and the ultimate expression of its planned legacy.

In more recent years, due to the increasing importance of strategy within organisations, managers have increasingly focused on strategic HRM (Walton 1999). Human resource strategy is concerned with the philosophy of an organisation, rather than just its processes and its people. This view is important to event managers, given the strategic nature of most events and the way they are managed by ad hoc organisational structures which are often formed, revised and disbanded according to present need.

Berridge (2017) focuses on the memorable 'wow' factors of designed events, and thereby stresses the important element of interactions, which, though 'artificially' designed, are engaged in by an event's staff and its attendees. Booms and Bitner's earlier work (Booms and Bitner 1981; Bitner 1993) recognised that the traditional '4Ps' marketing mix – product, price, place and promotion – was inadequate for service industry use. Therefore, industries such as the events industry, should consider the additional components of people, process and physical evidence in order that their offerings might be effectively managed. This view dwelled on the essential and complementary role the human resource plays in the design and production of an event experience for attendees. The role of personnel forms one of the main elements of the delivery of service within the experience's cape. The extent to which other, related event elements – such as communication and the flow of activities – play their parts should not be underestimated, and these are actioned by the event workforce. Even the staging elements, which consist of the remainder of the holistic experience's cape, are mostly delivered by event workforce.

3.1.2 Understanding Event Professionalism

Credit is given to the importance of hiring people with the right skills and attributes due to commercialisation of events industry. Since the 1980s, the age-old tradition of events has become an industry in its own right and has required increasing numbers of skilled professionals.

3.1.3 Establishing the Desirable Attributes of Event Personnel

With the increasing demand for suitably useful event personnel have come various attempts by the industry and academic institutions to define and categorise the desirable attributes of such workers in terms of competences. As the learned capacity to do certain activities, the required competences of event staff will vary, in part, according to the requirements of the particular event in question. At the end of this unit, an industry professional shares some of her experiences about establishing desirable event employee attributes with event operations managers.

3.2 Finding the Right People

The task of HR planning for an event involves predicting gaps between the activities that will take place throughout the event cycle and the suitably competent people and teams required to complete those activities successfully. 'Recruitment' relates to attracting sufficient numbers of competent applicants for a position, whereas 'selection' refers to the processes used to appoint a person to that position. This process can be illustrated as follows:

- State specific event need.
- Use appropriate recruitment and selection methods.
- Match suitable applicant to job.
- Review recruitment and selection processes and modify as required.

Needless to say, that the flexibility of the event, of the task in question and of the applicant will all greatly influence the ease of 'fit' between the person and the job. However, the consequences of errors made during this process can impact more heavily on the event organisation than they would in other, more day-to -day, functional organisations because of the time-sensitive nature of the event cycle and the 'once-and-for-all' nature of the off ering. Events cannot simply be repeated or refunds off ered if shortfalls occur in the delivery process due to the wrong people being hired.

Another basic consideration is the building of a large supply of labour with ongoing availability for future events. Such a strategy can greatly reduce costs in the form of recruitment advertising, interviewing and other hiring expenses. Also, the costs of inducting and training new employees can be reduced if workers remain with a particular events organisation across multiple or repeat events.

Loyal event recruits can also promote improved quality of work task delivery, such as improved safety and customer service, as well as better teamwork due to familiarity with the culture of the organisation, expected standards of performance and the events market as a whole.

3.2.1 Recruitment

For every event, there is a need to attract, screen and select adequately qualified workers through formal or an informal recruitment process, which involves:

- determining the vacancies
- sourcing strategy
- preparing and publishing information
- processing and measuring applications
- notifying applicants. (Tyson and York 2000)

Note that it is a common practice for event organisations to use recruitment intermediaries to assist with what can often be a resource-intensive and specialised activity

3.2.2 Designing event jobs

Prior to beginning the process of recruitment, the event planner should complete an in-depth job analysis to assess the positions that need to be filled. This will include collection of information about the tasks that must be completed before, during and following event delivery. Obviously, the more rigid and less changeable the event concept and plan are, the simpler this task will be. Any changes will require subsequent revision, perhaps including the addition of cost buff ers to timelines and budgets.

The end result of the job analysis will be a list of job descriptions, which group the various tasks coherently, and job specifications, which clarify the specific competences of the applicants who will be recruited for these jobs.

3.2.3 Job Designs and Descriptions Clarification

Embedded in a job description are the following:

- Job title.

- The event-related tasks and activities included in the job. These will be linked to the objectives of the role. Performance indicators can also be stipulated here.
- Levels of responsibility and any departmental affiliations within the event organisation, as well as the name of the line manager for the position.
- Payment pattern.

3.2.4 Establishing Applicant Suitability

Once the parameters of the job have been established, attention can turn to what is required of those who might fill the position, including:

- Formal educational qualifications, event-related certifications (such as first aid), criminal record checks, health and safety certifications and so on, as required by the event and its predicted target markets.
- Competences, including skills, knowledge and prior experience.
- Any physical characteristics demanded by the role, such as heavy-lifting capabilities.

Each of these may be expressed in terms of 'essential' (minimum) and 'desirable' requirements to avoid misunderstandings during the selection phase, and to ensure that the event hires the best individuals for the various posts. Many events are vast undertakings in which many people perform a great variety of different roles, so there will inevitably be considerable differences between them in terms of abilities and competences. Boxhall and Purcell (2008) observe: 'Thus, as we move up from low-complexity work (such as routine clerical work) to jobs where greater ambiguity is involved in decision making, differences in skills and judgement become more pronounced and are more consequential for the organisation.' This means that, as event tasks become more complex, there is a need to find employees who possess a wide range of skills. An event producer, for example, may possess high levels of innovation and creativity, yet these talents matter little if she is unable to communicate her ideas effectively. Obviously, the ideal candidate will be creative *and* an effective communicator.

However, it is important not to set required competence, skill, attribute and qualification levels too high. Nor should physical or skill requirements discriminate against applicants with disabilities, unless these are essential for the job to be performed successfully. There is a discussion of some of the pertinent legislation relating to this issue later in this unit. Many event organisations provide on-the-job training or certifications, but these can prove costly and take so long to complete that it is often impossible to hire workers who do not already have them.

3.2.5 Communicating Event Vacancies

Potential event employees are attracted through numerous methods, including basic advertising, word-of-mouth referral and formal recruitment sources. Recently, there has been a significant shift in recruitment media. A good example in Nigeria is the massive shift from daily newspaper to internet-based advertisment, job search engines and online recruitment agencies. Web 2.0, including such social networking sites as Facebook- material and Twitter, has also had an increasingly significant role to play. This has created both challenges and opportunities for event recruiters, as applicants are no longer passive in the application process, but rather engage in two-way, adaptable messages, often in 'real time'. For example, many Facebook- material groups have been formed specifically to publicise paid and voluntary employment vacancies in the domestic and international events industry.

Though often free or advertising-supported, such online vehicles sometimes charge a commission for referral, which can lead to event organisations paying a variety of charges from an almost negligible 'click-through' fee to substantially larger commissions for recruitment of high- level executives. It should be noted that the legal framework governing such media is changing fast in order to bring it more in line with laws governing offline practices, and this should be monitored closely to avoid litigation.
More traditional agencies for event recruitment include job centres, industry fairs, schools, colleges and universities. More will be discussed about specific strategies for the ongoing recruitment of event volunteers later in this unit.

3.2.6 Screening

Following the receipt of applications via the sources discussed in the previous section, a process of screening should be applied to eliminate unsuitable applicants and reduce the numbers of less suitable candidates in favour of those who more closely match or even exceed the particulars of the planned job specification. It should be remembered that this part of the selection process involves subjectivity on the part of those responsible for selection. Whilst subjectivity can never be wholly avoided, screening and elimination measures should be as clear and as valid as possible. A variety of laws and ethical practices regulate these HR activities, and these will be discussed later in this unit.

There must be mutual trust and respect between employer and applicant, as a psychological contract is formed between the two parties which is based on their expectations of one another as well as assumptions and inferences derived from their mutual interactions, in addition to any formal communication and legal contracts. Certainly, many premature breakdowns in formal contractual relationships between employers and employees can be traced back to this less formal, yet often more important, psychological contract.

3.2.7 Selection

As the applicant moves through a transition towards becoming an employee, the recruiter will attempt to use the selection procedure to predict on-the-job performance. To this end, the events manager may employ a number of valid measurement tools to assess a candidate's suitability. However, this can be problematic as there is no real capacity for a trial period of employment in the events industry, as events are invariably time-constrained. Each event also varies considerably from the previous one.

Torrington *et al.* (2009) suggest that selection methods should be chosen on the basis of a combination of the following factors:

- selection criteria for the post to be filled
- acceptability and appropriateness of the methods
- abilities of the staff involved in selection
- administrative ease
- time factors
- accuracy
- cost.

Because of the people-centred nature of events work, those involved in the selection process are likely to favour face-to-face contact – ideally in a one-to-one interview – with an applicant in order to gain an accurate impression of their interpersonal skills. Such meetings allow the interviewer to make an assessment of the candidate's suitability and to present a

realistic job preview. However, time, cost and other resource constraints usually make wholesale use of this method unfeasible, particularly for larger events. So, most event managers are obliged to use alternative methods in the selection process:

- application forms
- telephone or webcam interviews
- aptitude tests
- group interviews and problem-solving exercises, business games, competitions and so on
- work sampling, including written work, business plans, portfolios and presentations
- references.

Several of these will usually be used in combination, depending on the type of event in question. References are especially important, with many event specialists relying on the recommendations of credible referees, such as university teaching staff and the applicant's previous employers.

3.3 The Challenges in Practice to the Events Industry

Certainly, the process discussed thus far is widely accepted and practised, and it finds application in the international events industry. However, many event managers will no doubt take issue with much of the time, detail and documentation requirements implied here. This will mainly be due to the usual time and resource limitations commonly associated with events. It will also reflect the transitory and temporal nature of events, discussed earlier in this unit. Indeed, there would appear to be little benefit in mapping out job descriptions and the qualities and qualifications of the people required to perform them if one event diff ers widely from the next. Most event roles maintain a large degree of consistency across diff erent events, but the processes already described sometimes need to be altered due to rapid changes in event organisations and the diff erent events they manage.

3.4 Formulating and Conducting Event Induction and Acculturation

3.4.1 Induction

Whilst traditional new-employee induction is intended to promote eff ective adjustment and integration of the new employee into his or her new workplace, in the events industry it involves much more. Though it was formerly assumed that induction was a first-day familiarisation tour, in the events industry it begins at interview and continues to the end of the worker's involvement with the event, or with longer engagements until the employer and employee have reached a mutual understanding of their relationship. A distinction also needs to be drawn between the employee's induction to the event organisation and their induction to the current event. The weight given to these two components depends on the type of event, the stage at which the employee joins and the type and expected duration of their role.
In events, new-employee induction is crucial: it can safeguard lives and ensure the health and welfare of customers, colleagues and the employees themselves, primarily because of the intrinsic dangers associated with many event sites and venues. Walton (1999) explores ‘virtual induction’, in which companies post important familiarisation and training materials on their websites and intranets for consultation by new and existing employees. Such sites provide vital event information relating to company policies and procedures, employee duties, site plans and so on. This supplements the usual induction process, which informs the new employee of the procedural and legal guidelines they must follow and gives them an opportunity to ask questions. In many events, the overall concept will be explained in

relation to the employee's specific role. Event organisers will often pair new workers with more experienced employees in order to familiarise them with an event.

3.4.2 Organisational Culture and Events

During this induction phase, the employee will gain an impression about various cultural norms they will be expected to observe during their time working on the event. Edgar Schein (2010: 7) observes: 'Cultural forces are powerful because they operate outside of our awareness. We need to understand them not only because of their power but also because they help to explain many of our puzzling and frustrating experiences in social and organisational life.

The organisational culture of an events company gives each of its events a specific 'personality'. According to Schein (2010), organisational culture mainly consist of the factors outlined in table 5.1

Beliefs and assumptions • What does organisations do? • What business(es) is it in? • What does it seek to achieve in the future? • Who are its stakeholders?	**Values** • What do its stakeholders want from the business? • What are the standards of behaviour of the people associated with the organisation? • How do the personal and professional values of the people align with those of the organisation? • How does the organisation view 'progress'?
How do the people associated with the Organisation commonly • Behave • Interact • Communicate • implement/react to change? • To what extent do these norms match corporate guidelines and expectations? • What is the relationship between the groups in the organisation, the national cultural groups, the organisational culture and the corporate culture?	**Signs** • Organisations often display outward indications of how they work, such as employee uniforms or visible price or service promises. • How do such outward signs relate to or contradict the above factors?

Table 5.1. The factors comprising organisational culture

It is important to understand the organisation's culture because, whenever a new employee joins, they will very quickly reach their own conclusion about it, based on their assessment of the above factors. Event customers do the same thing. Overall, this will greatly influence the actions and reactions that these groups have towards the organisation and each other. This contributes to the input/output relationships identified in Figure 5.1.

So far, this discussion has mainly focused on organisational aspects in general. Obviously, the debate becomes far more complicated when the combined influences of other types of culture found in an organisation are also considered. It should be remembered that there are various cultures within work groups. For example, members of a banquet service staff team are likely to have their own sets of assumptions, values, norms and signs, which may differ from those of the parent organisation and/or the event. If groups have different cultures, this might lead to conflict between them. When national cultures and ethnic cultures are also thrown into the mix, alongside group cultures, the culture of the event itself and the corporate culture of the parent organisation, the HRM implications for the event manager can be daunting.

Fig. 5.1. How organisational culture works in the events organization, Source: Adapted from Schein 2010.

3.4.3 Team Building

Goldblatt (2010) discusses the problems of leading and managing event teams, particularly from an outsourcing perspective. Many event managers – especially those who are new to the profession are keen to outsource the more 'mundane' tasks, such as cleaning, while retaining direct control over the more creative aspects, such as design and production. However, more experienced event managers understand that the success of an event often depends upon the effective delivery of 'wow' factors that require a level of expertise that is rarely found within the skill set of the general organisational team. There are other factors in play which also contribute to this perspective, including legal and safety restrictions, and the required capital and talent investment. Factors such as talent are often not found within most general events management organisations, so they may need to be found elsewhere for use in particular events. The construction, management and leadership of event teams, particularly in the context of the foregoing discussion relating to group culture, can prove challenging for any event manager.

Some event organisations take a psychological approach to the construction of teams. Widely available psychometric tests can be used to assess the personality traits of individuals, and these can be utilised as early as the selection stage of the HRM process. Whether event managers favour this option will mainly depend on their own experiences in respect to trying to predict future employee performance.

In a team-building context, the most effective approach will be taken depending on the planned purpose of the team in question. Event teams can provide basic event delivery, such as customer service or various staging provisions. Others might be responsible for relatively complex, problem-solving activities. The psychological characteristics, skill sets and competences of employees performing these roles will vary according to their specific planned context.

The combination of the above characteristics of individuals within the team should also be considered. Pfeffer (1998) found teams to be much more effective than individuals at organisational problem-solving. In the context of creative design, the more diverse the team, the longer the decision-making process, but the more effective the final result. According to the Gorge Group study (1994), excellence in team problem-solving performance was based on the creation of synergy between members, the building of commitment towards a common goal, the fostering of independence, constructive debates and mutual concern and respect for each other.

It should also be stressed that teams in the events industry are increasingly virtual in nature, particularly in vast, multinational parent companies. Information technology now makes it possible for events specialists in the field to enlist the support of members of a virtual 'back office', many of whom they may never meet face to face.

3.5 Developing Effective Communication with Event Workers

Boxall and Purcell (2008) focus on management of the 'employee voice' in organisational decision-making through the promotion of employee involvement strategies. This approach is influenced in the events industry by the involvement of trade unions and professional associations, whose scope and power vary widely, depending on the country concerned. More discussion of the role played by trade unions appears at the end of this unit.

According to the Gorge Group (1994), effective communication requires the organisation to:

- develop shared understanding proactively
- focus on the needs of others and predict their questions
- clarify points outside of meetings.

When the company parent is multinational, care must be taken to avoid the use of jargon and slang in order to minimise misunderstanding. Managers should disseminate messages via their audience's preferred media and style. And attention should be paid to using appropriate levels of formality.

3.6 Event Employee Learning and Development

The event organisation will be required to facilitate various degrees and types of employee development in order to maximise performance. Whilst leading writers in events management (e.g. Bowdin *et al.* 2010) consider this in the context of more general employee training, it should be stressed that the specialised field of HRM has continued to view these activities more as the facilitation and promotion of cultures and processes which allow employees to learn. Formal training programmes certainly have a part to play in increasing the effectiveness of event employees, particularly in mandatory, operational management areas, such as safety. However the ability of many firms to differentiate themselves from their competitors often depends on their ability to become learning organisations in which personnel are encouraged to learn and improve continually and are supported with the resources to do so. Indeed, the London 2012 Olympic Games volunteering programme, whilst a vehicle for the achievement of much of the initial social legacy portion of the bid, primarily encourages volunteering by promising that volunteers will gain skills during their activities in the lead-up to and during the Games.

3.6.1 Reflective Practice

Kolb's 'learning cycle' can be applied to the events industry as shown in Figure 5.2. This adapted model is an ideal starting point for the development of the learning events organisation as it focuses on problem-solving.

Events industry HR specialists, whilst following the general approach outlined above, will be required to conduct a formal, organisational programme of learning and training. Torrington *et al*. (2009) propose the following four main areas:

1. Identify development need.
2. Design development activity.
3. Carry out development.
4. Evaluate development.

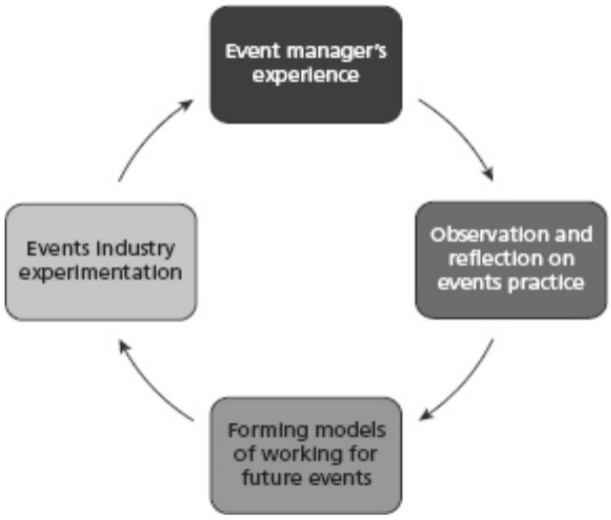

Figure 5.2 Kolb's learning cycle, Source: Adapted from Kolb 1984

These four areas constitute the 'people development strategy' of the organisation, within the wider context of the business strategy, in relation to the business environment.

The identification of the development need will take place via various formal and informal systems. As Bowdin *et al.* (2010) point out, this can be linked to the appraisal systems of the organisation, although this approach will not be practical for most event organisations, which have many members of staff who are temporary and short term. Certainly, on-site employee observations that identify shortfalls between customer expectations and their perceptions of the service provided are useful.

Designing and carrying out the development activity will involve the planned use of methods of learning and development, which may include items in the following list, also developed from Torrington *et al.* (2009): off -job methods, such as education and training courses

- on-job learning methods, such as coaching, mentoring, peer relationships, self-development individually or in groups
- e-learning methods.

Evaluation of learning is likely to be continual and will rely on the accurate assessment of behavioural or attitudinal changes in line with the initial objectives set following the needs analysis. There are also employee-centred assessment methods, such as self-administered

questionnaires, which are designed to measure the satisfaction derived from the learning process.
event employees are likely to view aspects of work diff erently according to whether the latter are:

- motivators arising from intrinsic aspects of the job itself (e.g. challenging work, recognition, responsibility) that give positive satisfaction; or
- hygiene factors (e.g. status, job security, salary and fringe benefits) that are extrinsic to the work itself and do not give positive satisfaction, although dissatisfaction results from their absence. (Hackman and Oldham 1976)

To overcome the simplifications of Maslow's and Herzberg's theories, Vroom's 'Valency Expectancy Theory' proposed that the degree of eff ort an employee would exert to satisfy a need depended directly on the expectation that their eff ort would achieve their predicted goals. This is expressed as:

Force (F) = Valency (V) X Expectancy (E)

In order to supplement the above models' contributions to the wider understanding of employee motivation in an events context, more research has been conducted into the motivation of a particularly important group of event workers: volunteers.

3.6.2 Event volunteers and motivation

Many events succeed because of the eff orts of a pool of willing and often repeat volunteers. However, as Bladen (2009) found, little research has been conducted into the motivation of this crucial human resource. McCurley and Lynch (1998) emphasise the non-event volunteer's commitment to the advancement of a cause or organisation. Others (e.g. Bowdin *et al*. 2010; Van der Wagen 2007) have discussed various approaches to understanding volunteer motivation, mainly based on generic, human resource motivation theories, which, in the absence of supporting research, do not provide practical explanations for event volunteers' motivation. Event-specific studies (e.g. Elstad 2003; Coyne and Coyne 2001; Cuskelly *et al*. 2006) have tended to focus on smaller, repeat events.

It is recognised that repeat volunteering will be based, to some extent, on the volunteers' favourable evaluation of their initial experiences. This is particularly crucial because, as Bowdin *et al*. (2010) state, event organisations that use large numbers of volunteers tend to recruit far more than are needed and then shed the unsuitable ones. If practised by repeat-event organisers, this process could jeopardise the sustainable future of such events. Additionally, we propose that future researchers examine attitudinal factors as potential predictors of volunteers' future behaviour. The general literature (e.g. Flashman and Quick 1985; Cuskelly *et al.* 2006) tends to link event volunteers' motivation to altruism, which generally refers to an individual's desire to benefit others with little expectation of personal reward. However, while altruisim seems to be an important motivating factor in initial volunteer attraction, it seems less significant in repeat volunteering. We suggest that the reported increasing tendency of repeat volunteers to volunteer only for short periods might be considered in terms of egoism – that is, the self-interested desire to benefit oneself. This is supported by Stebbins (1996), who found that core – or 'career' – volunteers were not altruistic. They continued volunteering due to the intrinsic rewards associated with the volunteering experience itself.

3.7 Remunerating Staff

Remuneration relates to the total benefit to a member of staff; it therefore includes more than simply 'pay' for a job done. The events industry provides tangible benefits in the form of money paid to workers, though most volunteers can expect little or no payment for their services, aside, perhaps, from reimbursement for expenses, such as travel to the venue. Event managers need to consider their chosen reward strategy for remunerating employees carefully. Certainly, if staff motivation depends on rewards, then the reward package must be sufficiently substantial to attract applicants and retain them once they become employees. However, this can be costly because of the vast numbers of staff needed by many events; there is therefore a danger, if too much is spent on reward packages, that the whole event might become unsustainable.

There is still much debate about the roles of and rewards granted to volunteers. Many volunteers tend to be students, who view their participation in events as work experience with a view to future employment. However, there is an ethical question relating to whether such students should be expected to work for free as a standard part of their training while the organising company profits from their efforts.

When setting payment levels, employers must consider the market rate for that type of employment. There are minimum-wage requirements in the UK, the USA and Australia, as well as other considerations when setting pay levels. For instance, in many countries, it is routine to consult trade unions, although this is unusual in the UK events industry. Most countries also have legislation in place which guarantees workers equal pay for the same role, regardless of gender. Nevertheless, there are still fairly frequent reports of gender discrimination on pay in the UK, US and Australian events industries. Companies found guilty of such infringements often face substantial penalties.
Other types of payment for work done, such as bonuses and commissions, are uncommon in the events industry.

4.0 CONCLUSION

This unit has addressed in detail the event human resource issues globally.

5.0 SUMMARY

This unit has analysed the human resource challenges of managing events. It should be noted that there are significant differences between management of the human resource associated with events and the management of ordinary employees in other industries due to the temporal, project structure of event organisation. Therefore, the process of event recruitment and selection also tends to differ significantly from that found in other businesses, and these differences are compounded as the scale and duration of the event being managed increase. Also, the complexities of managing event employees and volunteers relate closely to the pulsating nature of the organisation and therefore require constant review throughout the event cycle, so that short-term changes can be made in response to the usual fluctuations in customer attendance and the various transitions through the stages of the event cycle. Through employee retention methods, employee learning and development can be facilitated in conjunction with the strategic requirements of the event and its organisers.

6.0 TUTOR-MARKED ASSIGNMENT

Explain the stages of event cycle. Support your answer with diagrammatical illustration.

Discuss the differences between management of the events human resource and the management of employees in other industries

7.0 FURTHER READING/REFERENCES

Cuskelly, G., Hoye, R. and Auld, C. (2006) *Working with Volunteers in Sport: Theory and Practice*, London:

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UNIT 4 EVENT FINANCE

CONTENTS

1.0 INTRODUCTION

This unit examines the importance of event finance and places it in a context that should be easily understandable for any event manager to apply to their event, whether that event is a major undertaking, like the Olympic Games, a local community fare or farmers' market. For all events, it is essential that the overall governance is underpinned by sound financial management. Without needing to be a fully qualified accountant or having specific training in finance, all event managers should be able to answer two fundamental questions. First, is the selling price higher than the cost? In other words, will the event bring in more money than it pays out? Or, is the event going to make a profit? If you are managing a small community, not-for-profit event, it is simple to modify this question (because it is still important) to: is the event operating within the resources allocated to it? If the answer is 'no', then the event will struggle.

The second question all events must answer is: can this event continue? In financial terms, this question relates to the event's ability to pay its creditors (people to whom it owes money for goods and services). Many events will never take place due to an inability to meet these obligations because they have not considered cash flow and run out of money to pay creditors before the event can generate revenue. Being unable to meet these obligations is not uncommon, and this is the reason why you see businesses going bankrupt today. Event managers must ensure that they can pay their bills as they fall due and understand how to negotiate payment dates that fit in with income streams. Moreover, the sustainability of

events is an increasingly important component of an event plan, and you will need to demonstrate how you can generate the income to meet your expenses.

Before we start, however, it is important to establish some ground rules: put simply, finance is not just about numbers; and you do not have to be a skilled mathematician to understand finance or to manage money. Instead, you need to understand the guiding rules and principles that help compile and structure a set of financial documents. As students or managers who work within the event industry, it is important that you appreciate the importance of financial management and responsibility and that you can communicate key financial information to both the internal and external stakeholders. These skills – coupled with those you have considered already and will consider later in this course- material – will enable you to set up, run and manage successful events.

A successful event cannot happen without sufficient financial support and, by definition, financial management. The most significant, and perhaps most routine, error when committing to an event is to do so without securing the necessary financing (or funding) at a very early stage. This can be a concern for any event manager from beginning to end, and ultimately causes the event to be presented in a less than satisfactory way, which hinders success and event sustainability planning.

Many event managers shy away from managing money and financial performance because they are scared of the associated terminology. They will often focus on 'sexier' components – such as marketing and volunteer training – rather than managing the basic functions of financial control. Financial viability of an event should be the key issue of any event planning process, and if the expenses far outweigh the income streams, then managers should not be afraid to abort the whole event. If they are not prepared to do so, they compromise the future of similar events, acquire a poor image for their own organisation, and reduce the opportunities for bidding groups to bring other events to the region.

Unfortunately, the events industry has lagged behind other business sectors from a financial management point of view. For the most part, event marketing, planning and strategy have dominated event management education, which has led to a growing maturity in such areas. By contrast, financial management has often been overlooked, anecdotally because individuals claim to have some sort of fear of numbers. There are still many event managers and graduates with event management degrees who struggle to understand even the basics of a budget or cash-flow statement, let alone have the confidence to make informed judgements on the financial health of their event. However, as Wilson and Joyce (2008) point out, every organisation – ranging from multi-million-pound operations through to small, local, voluntary sports events – need to manage money and make routine financial decisions. Therefore, if organisations have to do it, the chances are that successful managers will have to understand, communicate and use financial information, too.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- to appreciate why financial skills are an important part of the event manager's portfolio of skills.
- to understand the key financial terminology that is often applied to events.
- to understand the meaning of budgeting in operational, tactical and strategic event management contexts.
- to analyse budgeted against actual performance using recognised evaluation techniques.

- to understand sources of funding and how to secure such funding.
- to monitor and evaluate an event's financial performance effectively.

3.0 MAIN CONTENT

3.1 FINANCIAL TERMINOLOGY

Understanding the nature and application of finance is often a question of understanding the terminology used by financial experts. Demystifying this terminology is the first step in managing finance effectively, as it will help you to understand what things mean and why they are important.

Essentially, there are two types of accounts: financial and management. Depending on the nature of a user's information needs (something that is explored in more detail later in the unit), the style of the accounts and financial documents may be quite different. From the section above, you should have noticed that financial information can look two ways. When looking backwards – into the past – it is normal to examine financial accounts as they are prepared for external use and are based on historical information; they are also required by law. A set of financial accounts will, for example, illustrate the past financial position and financial performance of an organisation.

Financial accounting: is the term used to describe the system for recording historical financial transactions and presenting this information in summary form.
However, should a manager wish to be more proactive and examine future trends and issues, then they will need to examine more forward-looking (future) accounting information. Such information will not be found in financial accounts. Hence, there are management accounts: that is, accounts that look forward and are based on providing information for managers to help with the planning, decision-making and control of organisations. Unlike financial accounts, management accounts are not a statutory requirement. It is important that managers understand the distinction between the two types of accounts, as they dictate where they should look for information. These two types also structure the remainder of this unit. Financial accounting and reporting are beyond the scope of this unit, as we are examining the tools that you can use to manage event finance. Consequently, we will focus on management accounting and how to plan, make decisions and control event finance.

Management accounting is the term used to describe more forward-looking financial data for planning, decision-making and control purposes.

In reality, event managers should appreciate that they will plan their operations, consider the implications of their decisions and control their organisation in such a way that they reach (in most cases) their organisation's objectives. In order to plan and make effective decisions, a manager will have to adopt the principles of good management accounting – for example, budgeting, break-even analysis and cash-flow forecasting – some of which will be explored towards the end of this unit.

Before we continue, it is worth outlining more key terms that you may encounter when moving through the following sections:

- income statement or profit and loss account – a summary of financial performance and therefore actual income and expenditure over a period of time;
- balance sheet – a snapshot of a company's financial position at a specific point in time;
- cash flow – a forecast of funds coming in and out, presented over a period of time;

- assets – those things of value that a company owns, such as buildings, equipment and vehicles;
- debtor – an individual or organisation that owes the company money or service, such as someone to whom you have lent money;
- liabilities – the opposite of assets, such as a credit card company;
- creditor – an individual or organisation to which you owe money or service;
- depreciation – the decrease in value of assets over time; for instance, a computer will be worth less after it has been used.

3.2 Financial Planning and Control

The concept behind financial management is not the simplistic idea that you need to manage profit, but, more importantly, how to monitor, evaluate and control the income and expenditure for an event. It is vital for event managers to understand the changing values of the events industry and recognise that a large number of events are provided to achieve social objectives, which operate at a loss and will therefore normally require a government or local authority subsidy to function. This does not mean, however, that proper financial planning and controls are unimportant. It is vital that event managers have an understanding of the costs of the products and services that they offer in order to operate as effective business entities, either to generate profits or ensure that taxpayers' money is not wasted on frivolous plans or ideas.

Many events rely on funding from national, regional or local government, grants from quangos (such as Sport England or the Arts Council), sponsorship or flexible credit terms from suppliers. However, using money from a third party is normally based on the simple assumption that the organisation's future returns will be sufficient to cover the borrowing or meet other objectives. Problems can occur when organisations fail to meet their financial obligations. Consequently, an organisation's ability to pay its debts as they fall due is usually the difference between financial success and financial failure. If event managers are to make effective plans and decisions, they need to control their organisations' finances.
Exercising sound financial planning and control is of fundamental importance in running a successful event. A lack of knowledge regarding the cost of the event will lead to almost certain failure. It is essential to plan, budget and monitor finances throughout the planning and execution of an event to avoid any implications with cost variation or changing economic conditions.

Before an event progresses too far into the planning process, it is essential to assess its financial viability. This will mean setting out a financial plan to balance the cost of running the event against any existing funds and prospective income. Several draft budgets may need to be compiled before producing the final version. Initially, the budget will be based on estimates, but it is important to confirm actual figures as soon as possible to keep the budget on track and to exercise something resembling financial responsibility (Running Sports 2007). If the decision is made to go ahead with an event, this will be managerial and therefore rather subjective. However, such a decision can be informed by a thorough understanding of the finances involved and the ability of the event to meet its financial obligations. What is more, the decision that determines whether an event is financially viable will ensure that effort (and money) is not wasted. Earlier units have stressed the importance of project management and event design and production, and these stages are indeed vital for the operational success of an event. But they will yield success only if sufficient financial resources are available for them to be implemented.

3.3 Users of Event Finance Information

Financial information is useful to a wide variety of stakeholders. These will often span several sectors and each will have a slightly different need for the information. For example, the board of directors of Intercontinental Hotels Group will want to see how much profit they have made from trading activities and see how each arm of the business is performing so that they can make future investment decisions and consider returns to shareholders. Sheffield City Council will want to know how much subsidy they have to provide in order to keep all of their leisure services running across the city, so that their council-taxpayers get value for money. The chairperson of the Cheltenham Swimming and Water Polo Club will want to ensure that enough money is being received through subscriptions and funding to cover running costs.

Generally, information relating to the finance of an organisation is of interest to its owners, managers, trade contacts (for example, suppliers), providers of finance (for example, banks and funding bodies), employees and customers. All of these groups of people need to be sure that the organisation is strong, can pay its bills, make a profit if it is commercial, and remain in business. An indicative list of users and their areas of interest is illustrated in Table 6.2.

User Groups	**Areas of Interest**
Event managers	Managers require financial information so that they can make present and future plans for the event and see how effective their decisions have been.
Trade contacts (e.g. suppliers)	Suppliers and other trade contacts need to know if they are going to be paid on time by the event organiser.
Providers of private finance (e.g. banks and so on)	Banks and other lenders of finance need to ensure that any loans and interest payments are going to be made on time before they lend money and during the repayment period.
Providers of public finance (e.g. government agencies, quangos and so on)	Funding bodies will want to ensure that their funds are being used for the appropriate purpose and that those funds are helping to meet their performance objectives.
Tax authorities	The tax authorities require information about the profits/surplus of the event so that they can work out how much tax the organisation owes. They also need details for VAT and employees' income tax.
Employees/volunteers	Organisations' employees and volunteers often wish to know whether their jobs are safe and that they are going to be paid on time or that the event is likely to go ahead.
Spectators	It is normal for spectators to know if goods/services purchased are going to be delivered/provided.

Table 6.2 Users of financial information and their information needs

3.4 Budgeting and Events

Budgeting is a subject area with origins in the field of management accounting as it helps management plan, make decisions and exercise control. It can be shown to be part of the overall planning process for a business by defining it as 'the overall plan of a business expressed in financial terms'. These plans might involve trying to achieve a predetermined

level of financial performance, such as a specified profit over the course of a year, or having sufficient cash resources to be able to replace the equipment in a gym. Organisational business planning can be summarised as an analysis of four key questions:

1. Where are we now?
2. How did we get here?
3. Where are we going?
4. How shall we get there?

To illustrate the link between general business planning and budgeting, the question 'Where are we now?' can be modified to 'Where are we now *in financial terms*?' Similarly, the question 'Where are we going?' can be modified to 'Where are we going *in financial terms*?' To diagnose where a business *is* in financial terms requires the ability to be able to 'read' an income statement (or profit and loss account), a balance sheet and a cash-flow statement. To predict where a business is going is difficult (just like any attempt to predict the future), but techniques such as compiling an expected income statement (profit and loss account), balance sheet and cash flow can help to focus attention on the business essentials. Furthermore, the process of planning ahead using budgets can help to test whether what you wish to achieve and the accompanying financial consequences are compatible (or 'internally consistent'). The concept of internal consistency will be covered in the next section, but we should conclude this section by clarifying that the meaning of budgeting is *the overall plan of a business expressed in financial terms*.

3.5 Budgeting as a Logically Sequenced Planning Process

A key point about budgeting is that it is an ongoing process rather than a time-limited, one-off event. The actual mechanics of drawing up the numbers involved in a budget are but a small part of the overall budgeting process. By bearing in mind that budgeting is designed to help an organisation with planning, decision-making and control, it is possible to appreciate that budgeting is a continuous part of business life. This point can be reinforced by viewing budgeting as steps in a logically sequenced planning process, as shown in Figure 6.1.
Below, each of these nine stages of budgeting are explained.

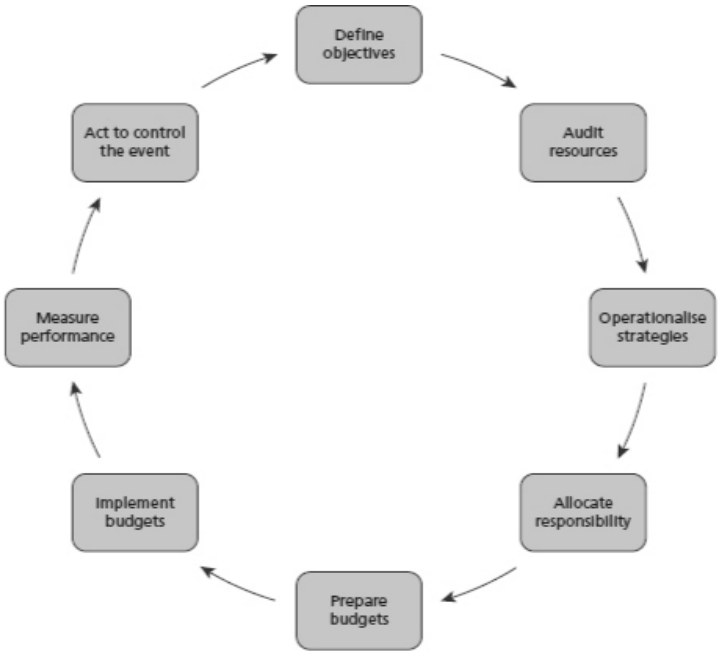

Fig. 6.1. The budgeting process

3.5.1 Define Your Business Objectives

The first question to ask when dealing with financial business planning is: 'In monetary terms, what are we trying to achieve?' Of course, most sane businesspeople would not answer, 'Make a loss.' Losses are made in business, but it is inconceivable to imagine that managers set out deliberately to lose money. Losses normally occur when there is a mismatch between what was planned and what happened in reality. Organisational objectives will vary according to the nature of the business. A community sports club which exists for the benefit of the members may desire nothing more than to break even or to make a small surplus to maintain its existing facilities. A more complex organisation, such as a professional football team, needs to balance the requirements of producing a successful team on the pitch (utility maximisation) with the requirements of being a commercial franchise (profit maximisation). Whatever the objectives of an organisation, they need to have certain qualities that enable them to be measured. These qualities are contained within the 'MASTER' mnemonic.

- **M**easurable – e.g. a profit of #3 million in the financial year, or simply to break even.
- **A**chievable – the organisation must have the capability to attain its objectives; capability means staff , other resources, and competitive advantage.
- **S**pecific – objectives must be specific: e.g. '#3 million profit', not 'to do well this year'.
- **T**ime limited – objectives must have a stated date for achievement.
- **E**nds related – objectives must relate to achieving outputs (ends) rather than describing means (how).
- **R**anked – ideally, objectives should be ranked in order of priority.

An example of an objective meeting the MASTER mnemonic might be:
Our first priority is to achieve a net profit of #3 million in the financial year 6 April 2012 to 5 April 2013. This target is considered to be attainable as the organisation has increased its capacity and the market is expanding.

3.5.2 Audit Resources

The audit of resources is a 'reality check' on the objectives. Its purpose is to ensure that the objectives and the resources required to achieve them are internally consistent. As an example, Sheffield United need around 15,000 spectators per home match to break even. With a stadium capacity of nearly 31,000, it is clear that 15,000 people can be accommodated at a home match, as long as they can be attracted to the match in the first place.

Where there is a discrepancy between the objectives and the resources available to achieve them, two courses of action are possible. First, the objectives can be changed so that they are compatible with the resources. Second, the gap between the resources available and the resources required can form the basis for prioritising capital investment, such as increasing the capacity of a stadium or identifying training and development needs to ensure that staff have the skills to deliver what is required of them.

3.5.3 Operationalise Strategies

Having defined what you want to achieve and confirmed that you have the resources to deliver the objectives, the budgeting process evolves to consider the day-to-day tactics to be used to meet the objectives. In small-scale events these might include the marketing plans, funding requirements, customer care protocols and opening hours. If organisational objectives can be regarded as *what* we wish to achieve, then operational strategies can be

regarded as *how* we plan to achieve the objectives. Thus, a football club aiming for average match-day turnover of #300,000 might set out to achieve it via operational strategies for spectators, corporate hospitality customers, programme sales, half-time draw tickets, catering and beverage sales, merchandising sales and car parking.

3.5.4 Allocate Responsibility

Successful achievement of objectives does not happen by chance, nor as a result of a mechanical exercise. Events management is primarily a service industry and the most important people in determining the extent to which objectives are met are an organisation's staff. In order for people to see where their contributions fit into an organisation's overall plan, they need to have agreed responsibility for particular areas of work. Agreed responsibility is particularly important in situations where staff can be rewarded, or indeed punished, on the basis of their performance. Remember that this could be particularly difficult when managing volunteers. For example, a volunteer responsible for the health and safety of an event could be assessed on the basis of the event running smoothly and without incident. If it is known and clearly stated 'who is going to do what and by when', then there is the basis for a meaningful comparison of actual performance compared with planned or expected performance.

3.5.5 Preparation of Budgets

It is worth noting that the actual preparation of budgets does not occur until the mid-point of the budgeting process. This is important because it makes the point that budgeting is not an isolated process and is integral to overall business planning. When preparing a budget there are two important considerations: namely, *how much* income or expenditure; and *when* the income or expenditure will occur. To illustrate the point, if a major festival is expecting 52,000 admissions at an average price of #25, then the answer to 'How much income will be generated?' is #1,300,000.

However, it is unlikely that a festival will average 13,000 admissions per day for four days. There will be peak times, such as during the weekend, and off-peak times, such on a Thursday, when people are at work. Thus, in order to make sure that the appropriate level of resource (for example, staff) is in the right place at the right time, it will be necessary to plan the predicted level of activity on a day-by-day basis. Doing such an exercise will enable event managers to plan ahead for situations where expenditure is greater than income and there is insufficient cash to meet the shortfall.

Having identified situations requiring management attention, strategies can be put in place to deal with them, such as negotiating an overdraft facility at the bank, rescheduling expenditure on capital items, or simply not paying creditors on time. The important point of note is that the process of budgeting identifies potential problems in advance of them happening so that pre-emptive action can be taken.

It is unlikely that at the first time of asking the figures produced in the preparation of budgets will deliver the outcomes required. Therefore, managers may be asked to revise their budgets in such a way that the desired outcome is achieved. In practice, there are five ways in which a budget can be revised:

1. Increase revenue and keep costs constant. This could be achieved by increasing prices, increasing throughput, or a combination of the two. The key assumption here is that any increase in price will not be offset by a reduction in demand.

2. Decrease expenditure and keep income constant. This could be achieved by making savings on non-essential expenditure or reducing the quality of the service on offer (for example, fewer staff on duty).
3. 3 Increase income *and* decrease costs, as 1 and 2, above, are not necessarily mutually exclusive.
4. Alter the financial outcome required. It may be impossible to bring the required outcomes and the budget into line by using 1, 2 and 3, above. Therefore, rather than alter income and expenditure, management may decide to alter the financial outcome required. This approach can work both positively and negatively. If staff provide managers with a budget that exceeds the required bottom line, and the assumptions underpinning the budget are correct, then it would make sense to increase the overall budget target accordingly. A much more likely scenario is that the targeted outcome cannot be met by revisions to income and expenditure, so managers decide to settle for a reduced financial outcome: for example, an annual profit of #2.9 million rather than #3 million.
5. Change the overall business objectives. It may well be the case that it is impossible to arrive at an acceptable solution to a budget using steps 1–4, above. Under these conditions it may be that the required outcomes and the organisation's capabilities are incompatible. The only remaining alternative is to change the organisation's objectives. As an example, private contractors managing local authority events are often required to meet social as well as financial objectives. On occasion, pursuit of these differing aims may be mutually incompatible in the sense that programming activities for priority groups at certain times prevents revenue maximisation. Every use of resources has an opportunity cost: that is, the price of the best alternative foregone. Thus, in order to make the budget balance, it may be that some priorities which are no doubt desirable and equitable have to be sacrificed to the cause of wider business interests. For this reason, it is important that, where possible, objectives are ranked (see 'R' in the MASTER mnemonic above). The significance of preparing a budget, comparing it with business objectives and taking corrective action where appropriate indicates the importance of achieving internal consistency. Using the budgeting model described thus far ensures that what an organisation wishes to achieve in overall terms and the financial consequences of doing so are consistent. If potential problems can be identified at the planning (input) stage, pre-emptive action can be taken by drawing up plans to deal with adverse circumstances. Clearly, this approach has a greater chance of success and is more desirable than trying to deal with situations reactively as they materialise without prior warning. The process of modelling the financial consequences of various scenarios until an acceptable outcome is achieved is known as an 'iterative' approach; or, in less scientific terms, 'trial and error'.

3.5.6 Approval of Budgets

Once an acceptable match has been achieved between an organisation's business objectives and the financial consequences of those objectives, a line needs to be drawn under the preparation of budgets stage. The point at which this line is drawn is at the approval of budgets stage, which effectively puts an end to the various iterations of the budget and leads to the formal adoption of the budget the organisation wishes to pursue. It is recognised good practice for the approval of a budget to be formalised in the minutes of a board or committee meeting. Furthermore, budgets should be approved in advance of the financial period to which they relate. The wider significance of a budget being formally approved is that those who have compiled it and those whose performance will in part be judged by it know exactly what their responsibilities are. This, in turn, has two benefits. First, if you know what is expected of you, then evaluation of performance can be objective rather than subjective. Second, expectation generates accountability, which, in turn, gives managers the focus to

concentrate on those things that are important in terms of meeting the organisation's objectives.

3.5.7 Implementation of Budgets

As a logical consequence of a budget being approved, it can be implemented with effect from the date to which it applies. For example, if an organisation's financial year operates from 1 April to 31 March, then it would be a reasonable expectation for the budget to be approved by the committee or board by the end of February, at the latest. A less than ideal situation would be an organisation entering a financial period without an approved budget, which would be the managerial equivalent of a boat sailing without a rudder. However, for one-off events, it may be necessary to write up and implement budgets outside of normal financial periods so that they reflect the demands of the event itself.

3.5.8 Measurement of Performance

To reinforce the notion of budgeting being integral to overall business planning, it is vital to realise that the budgeting process does not end once the preparation and implementation phases are over. Once the budget is operational, it is essential that periodically (at least monthly, or weekly, in some cases), a check is made of how the organisation is actually performing, compared with how it planned to perform. One of the greatest motivators in life is feedback, and the same is true in budgeting. Management accountants use the mnemonic CARROT as a way of categorising the features of good-quality information for feedback purposes. Each component of CARROT is explained below:

- **C**oncise – Information fed back to managers needs to be to the point.
- **A**ccurate – Feedback is used for planning, decision-making and control purposes, so it follows that feedback should be error free.
- **R**eliable – Similar to 'Accurate', the same results of an actual versus budget comparison should be obtained if different people carried out the analysis: that is, the source information is robust.
- **R**elevant – Different levels of management require different levels of information; therefore, feedback should be presented in terms that are relevant to the intended recipient.
- **O**bjective – Feedback should be concerned with verifiable factual evidence and not with individual interpretation of findings.
- **T**imely – There is a trade-off between timeliness and accuracy, but feedback should always be received in sufficient time for it to be of value in terms of planning, decision-making and control purposes.

Measurement of performance is not an end in itself and is valuable as an exercise only if it is used to add value to the process of management in an organisation.

3.5.9 Taking Action to Control the Event

If we accept that rational decisions require information that meets the requirements of the CARROT mnemonic, the final stage of the budgeting process is to use the information to inform the direction of the organisation. It is highly unlikely that there will be a perfect match between budget and actual comparisons, so the first decision to make is whether overall variance is within a tolerable range. If variances are tolerable, then significant changes in policy will be unlikely. By contrast, if variances are considered to be so significant that the organisation is 'out of control' (in financial terms), then proactive

management action may be needed. On a positive note, if performance is considerably ahead of target, it may be prudent to revise targets upwards. If, however, actual versus budget comparisons reveal a significant shortfall in performance, then corrective action may be needed. Such action might include extra marketing to increase sales, reducing price to stimulate sales, improving the quality of sales to boost repeat business, or, more predictably, cutting costs to try to maintain profit margins.

In concluding this section, it is worth making three points relating to the assertion that budgeting is a logically sequenced planning process.

Budgeting is a process designed to help managers make sensible decisions about running their organisations. It helps to inform decisions, but clearly budgeting is not a decision-making process in itself. Compiling a budget is an iterative process. It is unlikely that the first draft of a budget will produce an acceptable result. Various scenarios will be modelled and diff ering assumptions will be tested until an acceptable solution is found. Figure 6.1 is a simple model of an ideal process; in practice, the numerous iterations will result in a more complicated picture.

However, the basic point is that each step of the model is a reality check on the previous step, which is designed to ensure that an organisation's overall plans and the financial consequences of those plans are internally consistent.

Although Figure 6.1 implies a step-by-step approach to compiling a budget, in reality some steps are seamless. For example, defining your objectives (step 1), conducting and audit of resources (step 2) and devising operational strategies (step 3) are likely to be interrelated and to occur simultaneously.

3.6 Common Methods of Budgeting

In this section, ‘methods of budgeting’ refers to budgeting processes and behavioural aspects of budgeting. In terms of budgeting processes, there are two common ways in which budgets tend to be compiled. The most frequently used is ‘continuation’ budgeting (or business as usual); the other, ‘zero-based budgeting’ (ZBB), is somewhat rarer. Continuation budgeting refers to situations whereby the business objectives of an organisation do not change significantly from one financial period to the next. Under these circumstances, it makes perfect sense to continue with essentially the same business objectives and hence the same approach to budgeting. An example of a continuation budget might be a voluntary swimming club's open meet whose main aim is to break even and provide a service to the members. You should note here that these types of budgets will rarely be used for one-off events, but they may be considered for events that occur as part of an annual calendar of activity. If the club's basic operations lead to a situation whereby the selling price is higher than the cost, then apart from increasing spectator tickets and secondary spending prices to keep up with inflation, there is no point wasting time and resources on a more complicated approach to the event's finances.

Continuation budgeting is also referred to as ‘incremental’ or ‘decremental’ budgeting. The former refers to a situation whereby an organisation increases its income and expenditure, usually by the rate of inflation, in order to pursue its existing policies. The latter refers to a situation whereby an organisation agrees either a standstill level of funding (a cut, in real terms) or an absolute decrease in funding. When faced with a decremental budget, managers are faced with the problem of deciding whether to pursue existing policies with fewer resources; to reduce funding to all policies by the same relative amount (‘the equal misery’ approach); or to cut funding to some activities in order to preserve the more highly ranked

priorities (see 'R' in the MASTER mnemonic). An example of a simple continuation budget for a swimming club's open meet is shown in Table 6.3.

The basic assumptions in Table 6.3 are that the club will pursue the same policies from one year to the next and will increase income and expenditure by the rate of inflation (in this case 3 per cent). Thus, all that has happened to the numbers in the budget is that they have increased by 3 per cent. There are some advantages and disadvantages to using continuation budgeting, which are outlined below.

3.6.1 Advantages of Continuation Budgeting

- Continuation budgeting is intuitively simple and easy to understand.
- It is an eff ective use of resources if business objectives, infrastructure and strategies have remained unchanged.
- It is quick and easy to update figures and budget templates that are readily to hand.
- It requires fewer staff resources and therefore costs less than zero-based budgeting.

3.6.2 Disadvantages of Continuation Budgeting

- The overall rate of inflation within a country does not necessarily equal the rate of inflation within a particular industry; therefore, using the headline inflation figure to increase budgets is somewhat crude.
- Continuation budgeting does not encourage growth in real terms. In Table 6.3, the net position is that the business stands still. Businesses need to grow in real terms to remain competitive and to have the resources to maintain their operating infrastructure.
- Changes may be occurring within the market place which demand a response, such as the application of internet technology and e-marketing. By not taking advantage of business opportunities as they present themselves, standing still may actually be going backwards, relative to your competitors.
- There is a danger that if income and expenditure budgets are not challenged occasionally, then targets are 'soft' rather than a fair test of an organisation's capabilities. Managers can build 'slack' (unnecessary expenditure) into budgets which can be 'rewarded' when budgets for the next year are confirmed without detailed scrutiny.

INCOME	***This year (#)***	***Inflation***	***Next year (#)***
Spectator Tickets	**1450**	**3%**	1,494
Other Ticket Sales	**250**	**3%**	**258**
Sponsorship	**1700**	**3%**	1,751
Catering	**220**	**3%**	227
Merchandising	**130**	**3%**	**134**
Total Income	**3750**	**3%**	3,863
EXPENDITURE			
Voulunteer Kit	**700**	**3%**	721
Pool Hire	**2500**	**3%**	2,575
Marketing Activities	**136**	**3%**	**140**
Administration	**342**	**3%**	**352**
Total Expenditure	**3678**	**3%**	3,788
PROFIT / (LOSS)	**72**	**3%**	**74**

Table 6.3 Open swimming meet continuation budget

Although continuation budgeting is by far the most commonly used budgeting technique in all industries (not just events), if an organisation is facing a fundamental change to its operating circumstances or if you are planning a one-off or new event, a more analytical approach may be needed. Rather than starting with last year's budget (or one that you have found elsewhere) and updating it, the zero-based budget starts with a blank piece of paper and challenges every item of income and expenditure. Some zero-based budgeting questions might be:

1. What is the purpose of this expenditure?
2. On what will this expenditure be made exactly?
3. What are the quantifiable benefits of this expenditure?
4. What are the alternatives to this proposed expenditure?
5. What would be the outcome of cutting this expenditure completely?

In order for funds to be allocated to a given item of expenditure, a robust defence would have to be made for the expenditure through the five questions listed above. If some expenditure was not defendable, then it might be cut and be reallocated to more deserving areas of an organisation's activities. As an example, consider the case of the large festival we considered earlier. As part of its agreement with volunteers, it runs its own laundry to wash and iron volunteers' kit. The laundry will make use of staff, space, equipment, energy and consumables – all of which cost money. Furthermore, in the long run, equipment will need to be replaced and service contracts will have to be in place in case machinery breaks down. If commercial laundry facilities that matched the quality of service provided in-house at a cheaper price were available locally, then, in addition to saving money, the club could use the released staff, space and other resources on more important business objectives. Alternatively, it may be even more cost effective simply to buy additional kit and benefit from discounted prices. Clearly, using the zero-based approach would be a more rigorous way of questioning existing business practices than simply accepting that the club has always provided an in-house laundry and will continue to do so.

The purpose of zero-based budgeting is the allocation of resources in a systematic manner which is consistent with an organisation's wider business objectives. It makes an implicit assumption that people within an organisation act rationally and prioritise business objectives rather than personal agendas. Sometimes, this can be a very ambitious assumption. Compared with continuation budgeting, zero-based budgeting is resource intensive and therefore can be wasteful if there has been no significant change in business objectives and operating procedures. It is therefore dangerous to make sweeping generalisations about one budgeting process being better than another. As in many instances of using applied management techniques, the best methods to use are those that are most appropriate to the circumstances faced by an organisation. Therefore, if a business is stable, with no major changes on the horizon, continuation budgeting might be the best method to use. By contrast, if a business requires a major strategic overhaul, or if you are planning a new or larger event, then zero -based budgeting might be more advisable. Like many things in life, compromise can help to keep most of the people happy for most of the time. So a business could use continuation budgeting most of the time, but once every three or five years a zero-based approach could be used to challenge the status quo and reallocate resources to where they are most needed.

In addition to being familiar with methods of budgeting, such as continuation and zero -based approaches, it is important to realise the human dimension of budgeting. Event management is a people business and ultimately the extent to which business objectives are realised depends on the extent of staff motivation towards meeting targets. One of the great demotivators in life is having targets imposed on you from above (top-down), without

consultation. Equally, for management, there is nothing more depressing than letting staff set their own budgets and finding out that these so-called 'bottom-up' budgets do not deliver the organisation's overall business objectives. The compromise approach is for a participatory budgeting style whereby all staff whose performance will in part be judged by meeting the budget have some influence in the compilation of the figures by which they will be judged. There are no hard and fast rules about when to use top-down, bottom-up or participatory methods. Good managers need to have a broad range of skills and techniques in their managerial toolboxes. Furthermore, these skills and techniques should be used in a context-sensitive manner, contingent upon the particular circumstances of the business and its operating environment.

3.7 Applying Budgeting to Worked Examples

Event organisers should report a summary of their financial transactions in two, or sometimes three, standard formats:

- The income statement (previously called the profit and loss account, or the income and expenditure statement in the case of non-profit organisations);
- the balance sheet (if the event is running through an established company); and
- the cash-flow statement.

The income statement is a measure of an organisation's financial performance; the balance sheet is a measure of financial position; and the cash-flow statement illustrates how the cash available to an organisation has changed over a given period of time. In financial terms, the answers to the questions 'Where are we now?' and 'Where are we going?' can be seen by constructing an income statement, balance sheet and cash-flow statement to show the change between the starting point and the end point. In this section, examples of the income statement and the cash-flow statement are modelled, and issues relating to them are discussed.

3.7.1 The Income Statement

Table 6.4 reproduces the first two columns from Table 6.3, above, and shows how a swimming club might produce a summary of its income statement for its event. The key message emerging from Table 6.4 is that the club is planning to make a surplus (profit) of #72 during the year (or event).

The problem with Table 6.4 is that a year is a long time, and it is unlikely that income and expenditure will occur at the same rate throughout the year. Indeed, as this statement reflects the event, it is likely that it reflects only the final position and the budget does not tell you when profits or losses will occur. Many events are seasonal and will have peaks and troughs in terms of their level of activity. This, in turn, has implications for other areas of management, such as staff scheduling and cash-flow management. If the data in Table 6.4 were to be allocated over twelve months on the basis of when such income and expenditure were predicted to occur, the monthly budget would appear like the example shown in Table 6.5. Remember that this is a relatively small swimming event and you may well have to include much more data – the principles are the same, though.

Table 6.4 Income Statement

NCOME	*This year (#)*
Spectator Tickets	1450
Other Ticket Sales	250
Sponsorship	1700
Catering	220
Merchandising	130
Total Income	**3750**
EXPENDITURE	
Volunteer Kit	700
Pool Hire	2500
Marketing Activities	136
Administration	342
Total Expenditure	3678
PROFIT / (LOSS)	**72**

Table 6.5 Swimming meet budget sub-analysed by month (#)

INCOME	*Aug*	*Sept*	*Oct*	*Nov*	*Dec*	*Jan*	*Feb*	*March*	*April*	*May*	*June*	*July*	*Total*
Spectator Tickets	0	0	0	0	0	0	0	0	1,450	0	0	0	1,450
Other Ticket Sales	0	0	0	0	0	0	0	0	250	0	0	0	250
Sponsorship	0	0	0	0	0	0	1,700	0	0	0	0	0	1,700
Catering	0	0	0	0	0	0	0	0	220	0	0	0	220
Merchandising	0	0	0	0	0	0	0	0	130	0	0	0	130
Total Income	0	0	0	0	0	0	1,700	0	2,050	0	0	0	3,750
EXPENDITURE													
Volunteer Kit	0	0	0	0	0	0	0	700	0	0	0	0	700
Pool Hire	0	0	0	0	0	0	0	0	0	2500	0	0	2,500
Marketing Activities	0	0	0	136	0	0	0	0	0	0	0	0	136
Administration	0	0	100	100	42	0	0	100	0	0	0	0	342
Total Expenditure	0	0	100	236	42	0	0	800	0	2,500	0	0	3,678
PROFIT / (LOSS)	0	0	–100	–236	–42	0	1,700	–800	2,050	–2,500	0	0	72
Cumulative	0	0	–100	–336	–378	–378	1,322	522	2,572	72	72	72	

Two important points emerge from Table 6.5. First, simply by looking at the profit or loss per month, it is clear that the event's position in the calendar is a factor in the event's financial fortunes. Income is received from sponsors in February and again during the event in April in the form of spectator ticket sales and other ticket sales, while expenditure exceeds income in October, November and December, and again in March and May. This negative cash position must be managed. Second, a simple table of figures is not particularly helpful to somebody reading the budget. It would be much more helpful if the numbers were explained by a series of notes, such as the examples given below.

- Income: Spectator ticket sales will occur in April and we expect 580 spectators to purchase tickets at an average price of #2.50 (total = #1,450). (Last year, 500 sales @ #2.50 = #1,250.)
- Expenditure: Pool hire costs are based on a discounted rate and are paid in May, after the event has taken place. Costs are #2,500. (Last year, pool hire was #3,700.).

In practice, it would be expected that all items of income and expenditure would be qualified by a written explanation. By providing a brief written commentary to the key figures and

assumptions that underpin the budget, it is possible for those people who look at it to have a much clearer idea of the organisation's plans. If the club planned to make a profit of #72 (financial performance), then it follows that the club's overall financial position would increase by #72.

For most sports managers, budgeting tends to start and end with a budgeted income statement, sub-analysed on a monthly basis (as in Table 6.5). This is a perfectly acceptable level of skill for most event managers. However, those who wish to have full responsibility for all aspects of an organisation's financial performance must also be able to produce and act upon budgeted income statements (balance sheets) and cash-flow statements.
In the next section, the review of budgeting concludes with an example of measuring actual performance against budget.

3.8 Comparing Actual and Budgeted Performance

The ultimate purpose of budgeting is to assist managers in the planning, decision-making and control of a business. To achieve this aim, periodic comparison of actual performance compared with planned or budgeted performance is required. Table 6.6 is an example of how such a comparison might be presented to the managers of an organisation. The columns in this table are explained below.

- 'Actual' income and expenditure refers to entries made to an organisation's accounting system which are supportable by documentary evidence, such as invoices, receipts, staff time sheets and so on. 'Actual' figures are drawn from the financial accounting systems and can be supported by an audit trail of evidence.
- 'Incurred' (or 'committed') expenditure refers to expenditure which relates to the financial period in question that we know has been made, but has not been billed for, as yet. This sort of data can be picked up from such documentation as purchase order forms. When producing timely budget reports, it is sometimes not possible to wait until all of the paperwork relating to expenditure in a period has been received. Thus, in order to reflect a more realistic picture of events, the 'Incurred' column is used to log known expenditure that is not formally in the course- materials of account. This column tends to be used only for expenditure; it would be unusual to have incurred income.
- 'Total' is simply the sum of the 'Actual' and the 'Incurred' columns.
- 'Budget' refers to the approved budget for a given financial period.
- 'Variance' is the difference between the 'Total' column and the 'Budget' column.
- 'Direction' is a reference to whether the variance on any given line of the budget is favourable (F) or unfavourable (U).

One characteristic of good information is that it is relevant to the intended recipient. For non-finance specialists, spelling out whether a variance is favourable or unfavourable is a helpful aid to understanding the underlying meaning of the figures.

'Note' is a cross-reference to a written qualitative explanation of a variance. Numbers in isolation do not explain a variance, so it is sometimes useful for a written explanation to accompany some of the more significant variances.

Table 6.6 Actual versus budget comparison

INCOME (£)	*Actual*	*Incurred*	*Total*	*Budget*	*Variance*	*Direction*	*Note*
Spectator Tickets	1,450		1,450	1,350	100	F	1
Other Ticket Sales	250		250	0	250	F	
Sponsorship	1,700		1,700	1,800	–100	U	2
Catering	220		220	200	20	F	
Merchandising	130		130	100	30	F	
Total Income	3,750	0	3,750	3,450	300	F	3
EXPENDITURE (£)							
Voulunteer Kit	700		700	600	100	U	4
Pool Hire	2,500	0	2,500	3,000	–500	F	5
Marketing Activities	136		136	140	–4	F	
Administration	342	50	392	400	–8	F	
Total Expenditure	3,678	50	3,728	4,140	–412	F	
PROFIT / (LOSS)	72	–50	22	–690	712	F	6

4.0 CONCLUSION

This unit dwelled extensively on event finance and its related subtopics; taking financial implication into consideration when making provisions for upcoming events.

5.0 SUMMARY

The purpose of this unit has been to demonstrate the importance of financial management within an events management context. While any detailed analysis was beyond the scope of the unit, provision has been made to equip managers with the necessary skills to communicate, in basic terms, the financial sustainability of an event. The cyclical process of planning, decision-making and control, coupled with the analytical techniques that can be applied to management accounting information, should enhance the toolbox of skills that any event manager should possess. The importance of this process should not be underestimated in both profit and not-for-profit events, regardless of size or stature.

The main objective of all events should be to operate within their own resources so that they can be sustainable and so that people can appreciate their value. The tools identified in this unit, including budgeting, should help this process. Furthermore, using financial and management accounting information as two sides of the same coin – which is rarely acknowledged – will help provide managers with the discipline and confidence to plan, make effective decisions and exercise financial control.

The income statement, balance sheet and cash-flow statement equip managers with information that can determine the financial performance and position of an organisation and demonstrate the difference between profit and the typically scarce resource of cash. In addition, it can be determined whether the event should be held and whether you or your competitors can pay their debts as they fall due.

It has not been possible to cover all event finance information and budgetary techniques here. However, you should have grasped the idea that financial management is important enough to be considered an integral part of any event. Other skills are required to come up with a marketing campaign or a training and development plan, but only those who

understand finance can establish whether they are financially viable, worthwhile or even necessary. The best way to ensure that you develop the full range of financial management skills is to achieve a thorough understanding of the theoretical concepts involved and some tangible experience of event finance in practice.

6.0 TUTOR-MARKED ASSIGNMENT

What are the benefits and drawbacks of using a zero-based budget for an annual music festival?

7.0 REFERENCES/FURTHER READING

For guidance on recording and reporting financial information, and for more detail of performing a thorough financial health analysis, see:

Wilson, R. (2011) *Managing Sport Finance,* Abingdon: Routledge.

Wilson, R. and Joyce, J. (2008) *Finance for Sport and Leisure Managers: An Introduction*, Abingdon: Routledge.

For more information on general event funding and financial planning see: Masterman, G. (2009) Financial Planning and Control, in *Strategic Sport Event Management*, London: Butterworth-Heinemann.

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UNIT 5 EVENT MARKETING

CONTENTS

1.0 INTRODUCTION

There have been significant challenges for the development of eff ective event marketing analysis, planning, implementation and control methods. This unit will attempt to highlight the crucial and changing role of the sponsor in modern events, where connection is made between the development of the relevance of the media to modern events, the scope for communication of sponsorship messages to specific audiences and the significant cost recovery potential to event managers. In addition to the advantages of sponsorship to events, some of the main challenges facing this important activity will be explored.

It is important to understand what marketing can bring to the discipline of events management and to be clear about what ‘event marketing’ means. (Event experience is an

important part of event marketing, and this has already been covered in Unit 3.) Event marketing is: 'the process by which event managers and marketers gain an understanding of their potential consumers' characteristics and needs in order to produce, price, promote and distribute an event experience that meets these needs and the objectives of the special event' (Bowdin *et al.* 2011: 367). Bowdin *et al*.'s definition emphasises the fact that events should be seen as 'special' and that each event merits its own distinct marketing plan. However, this definition does not emphasise the need to build up longer-term relationships with event consumers. Marketing should certainly not be seen as a bolt-on activity, nor viewed as merely the creative part of the event planning process. Perhaps an all too familiar view is that marketing commences once the event has been course- materialed and the starting date set; but in this instance, what many event managers understand to be marketing is actually advertising. In fact, advertising is only part of the marketing process. Marketing must be viewed as a discipline that is important *before* the event takes place and as one that is used *during* the event and *after* it has finished. It is also the responsibility of everyone involved with the running of the event, not just of the marketing department or team. Certainly, it is important to make it clear to everybody involved in an event that customer satisfaction should be at the heart of everything that event organisers do.

The event attendee looks for a 'lifestyle experience' (Allen *et al*. 2011) and something that they will remember as interesting, memorable and exciting. This is sometimes known as the '3Es' of event marketing – entertainment, excitement and enterprise (Hoyle, 2002). The event attendee wants to be entertained by the event, anticipates feeling some excitement as a result of the element of celebration at the event, and expects event organisers to innovate or show enterprise.

Event marketers should differentiate between events that target consumers – B2C – and those that are aimed at business or trades – B2B – as these groups may have different motivations for attending. In B2C, the event attendee is a private consumer who is attending for personal motives, such as to see a favourite musician or to attend a festival. B2B customers are more likely to attend principally for business reasons, such as those who visit the Nuremberg Toy Fair (see below). The task of the event marketer becomes more complex when some events attract both business customers and private customers who are interested in the theme of the event. For instance, the model train section of a toy fair attracts professional buyers as well as hundreds of enthusiasts who are keen to see the latest developments in their hobby.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- to describe practica event market analysis methods and considerations and explain marketing planning components.
- to explain basic customer-focused event marketing terminology and the role of new media in event marketing.
- to evaluate the relevance of event marketing as an effective relationship-building tool.
- to describe the role of event sponsorship and understand the process of attracting suitable event sponsors.
- to explain the process of managing the sponsorship process and sponsor relationships and current issues facing event managers in relations to sponsorship.

3.0 MAIN CONTENT

3.1 Event marketing planning

The most effective way for an event manager to coordinate the marketing activities for their event is to develop them within a marketing plan. The key purpose of the marketing plan is to identify the current situation in which event organisers find themselves and then to map out a path for the events management team to follow. As in any plan, the event marketing team should then undertake the necessary evaluation to see if they have achieved their goals. Using McDonald's established marketing plan (see Figure 7.1), these main areas of marketing planning are:

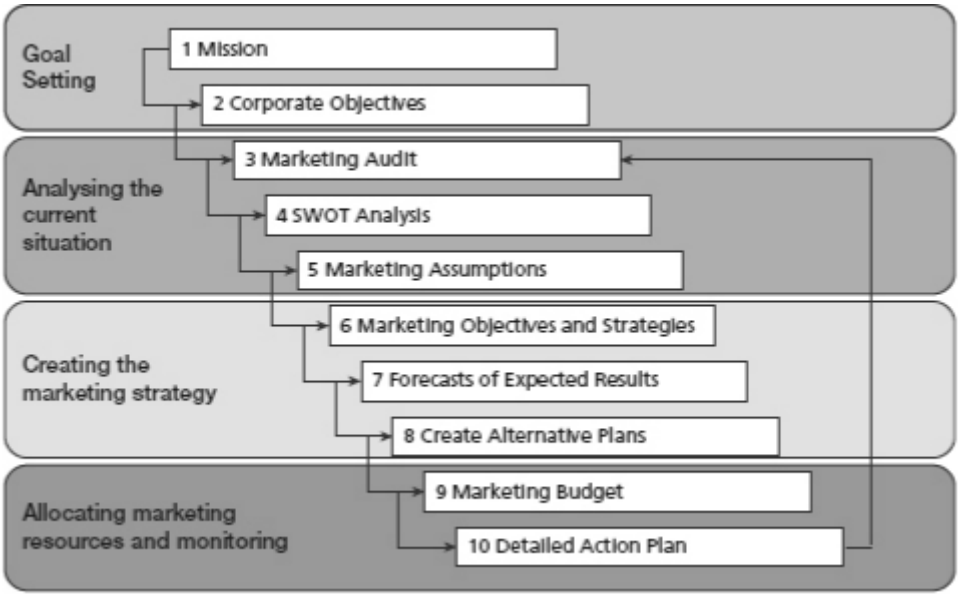

Figure 7.1 McDonald's marketing planning process, Source: Adapted from McDonald and Wilson 2011.

- To set goals.
- To analyse the current situation.
- To create the marketing strategy.
- To allocate marketing resources and to monitor or evaluate the plan.

It is critical that the people responsible for marketing an event are clear about the goals that need to be set for it. The event's mission, or that of the events management organisation, should remind the staff working on it exactly what its purpose is. The mission of a corporate event organiser might merely entail becoming a key player in its market. The award-winning event company Mike Burton sets out to ‘exceed expectations’ and to ‘live up to promises’, and this mission seems to have served it well for the past thirty years. The simplest mission statements are often the most effective to communicate to an events team. Setting corporate objectives are also targets that the event organisers can use to guide the direction of their business. These might entail being the most recognised brand in the sector within five years, or to have the highest satisfaction levels of volunteers in the industry.

After setting the mission statement, the next stage is to analyse the current situation of the event through the use of market research. This looks at the capabilities of the organisers and how they are positioned in the market, and evaluates their marketing strengths. The main tool in this exercise, as shown in Figure 7.2, is a SWOT analysis. The 'internal analysis' shows the strengths (S) and weaknesses (W) of the organisation, while the 'external analysis' illustrates those factors which present the greatest opportunities (O) – such as market data which show increased attendances at music events – and threats (T) – such as the introduction of new safety legislation that might demand increased expenditure.
The next stage is to set marketing objectives in quantifiable terms – for example, using research data to show why people attend an event – which are used to clarify what the marketing team has to achieve. These might specify the levels of customer satisfaction or enjoyment expected at an event, or the level of awareness resulting from marketing activities. A typical example of a marketing objective might be to receive positive feedback about the event from more than 75 per cent of all attendees, or to achieve 40 per cent of sales from previous event attendees.

Once the marketing objectives have been identified and the budget determined, a detailed action plan will list exactly what needs to be done, by whom and when.

	Strengths	Weaknesses
Internal	1 Established longer than competitors' events 2 Strong brand image 3 High levels of customer feedback 4 High customer loyalty	1 Low volunteer retention 2 Low use of web-based applications
	Opportunities	**Threats**
External	1 To set up an additional event in a new venue 2 To sell more tickets to overseas visitors 3 To increase sponsorship revenue	1 New safety regulations for events 2 Leading competitor has grown more than current industry average 3 Key target group has reduced spending power

Figure 7.2. SWOT analysis

3.1.1 Expectations of Event Attendees

As the event market becomes more competitive, and more events take place, it is critical to understand the demands and expectations of attendees. To what extent has the organiser considered the concept of entertainment inertia, and that a percentage of their target group might choose not to attend because their diary is already full with other events? Can this potential consumer justify giving up time and money to attend another event (Wakefield 2007)? Is this a very important event in the lives of those attending, with a reputation for delivering enjoyment or excitement?

An attendee's expectation of an event is unlikely to be based solely on the experience of the performer or enjoyment of the event theme. Level of service, or service quality, is also important. The issue of service quality is well established, and researchers such as O'Neill and Wakefield have shown links between service quality and customer satisfaction, even though many of these event experiences are also considered to be 'intangible' and therefore hard to measure (O'Neill *et al*. 1999). Event managers are increasingly turning to SERVQUAL customer service software, which considers people's expectations of service and measures this against their experience of service delivery. However, one can assume that there is a level of expectation of quality of service for most event attendees. In some cases, just asking the question, 'How easy is it for people to get to my event?' might help the organiser to identify factors which could affect attendance (Wakefield 2007). While factors

such as availability of parking space, ease of access, refreshments, toilets, signage and the helpfulness of event staff might not be considered crucial, it is a straightforward exercise to gauge attendees' attitudes to these points through a carefully constructed questionnaire (O'Neill *et al.* 1999).

3.1.2 Market Research for Events

The main aim of conducting market research is to try to reduce the risk of running an unsuccessful event and to help meet the objectives of the event organisers (Goldblatt 2011). Without doubt, the main research tool used in event research is the questionnaire. A well-constructed and - tested questionnaire allows a sample of people to give important feedback about all aspects of the event, and it can be the basis for producing meaningful research data to help guide decision-making. The questionnaire should not be seen as the only tool in the armoury of the market researcher, but it does have a significant role to play in events management. For the event manager, engaging in market research should become an important part of their role. Published market research reports for the events industry are limited, but there is nothing to stop event organisers building up their own market research data. This will not only help organisers make more informed decisions about events but will be an important aid in attracting sponsorship.

Event managers can also use market research to help them predict the likely attendance at a new event. Using the Market Breakdown Calculator (MBC) is a good way to estimate the likely demand for an event by using market research, and it allows the event manager to input some of their own experience and knowledge of that particular event market. In Table 7.1 the MBC shows how to measure the likely attendance at a wedding fair, which is targeted predominantly at brides-to-be. It is expected that most of the attendees will be female; will live within fifty kilometres of the venue; will be aged between eighteen and thirty-five; will have had the opportunity to see four adverts promoting the event; will have been in a relationship for more than six months; will be in one of the higher socio-economic groups; and will probably bring at least one other person with them.

Table 7.1 Using the Market Breakdown Calculator to calculate likely attendance at a wedding fair

Variable	Value (%)	Population	Source of Information
Population within 50km of event venue	100%	1,000,000	National Statistics
Females	51%	510,000	National Statistics
Females 18–35	30%	153,000	National Statistics
Females 18–35 not married but in a relationship	40%	61,200	National Statistics
ABC1 – Middle Class	65%	39,780	Marketing Pocket Course- material
Number of people likely to react to adverts (adverts shown four times)	20%	7,956	Advertising Industry Averages
Actual number who will follow up this interest	40%	3,182	Industry Experience
Likely to bring two other people	**X2**	**6,364**	**Visitors**

Source: Holden and Wilde 2007

Using this method, the overall population of the targeted area is calculated and the key criteria for the target group are established. Then, by a process of elimination, those who are unlikely to attend are subtracted. This initial calculation shows that there are likely to be 3,182 in the target group, each of whom should bring one other person to the event, making a

segment size of 6,364 visitors. Of course, this is only one of the likely target groups, and the process can be repeated for other segments, with calculations revised when new research data become available. Market research data can be used in the MBC and while many of the calculations are only estimates, the outcomes are better than complete guesswork. Using a spreadsheet means that the variables can be quickly changed. If there is another wedding fair running simultaneously in the area, then the event organisers must try to calculate what impact such competition will have on their event.

3.1.2.1 Observation as a Research Method

Attending an event and taking notes about customer behaviour or their interaction with the event is another way of researching events. This is often called 'participant observation'. To use this research technique, rather than asking attendees about their experiences, researchers attend an event as if they themselves were attendees, record their observations of attendees' behaviour, and then listen for comments made by participants that might give further insight into their views of the event. However, it is important to be aware of the ethical guidelines concerning this type of research, and researchers should not do anything that might impact on people's enjoyment of the event or research in such a way that might endanger those attending or participating.

Researchers who attended the Coca-Cola Masters Surfing Event in Australia as observers were able to capture important information about the event experience. When supported by formal feedback through a questionnaire, this gave a more accurate impression of attendees' levels of satisfaction (O'Neill *et al*. 1999).

3.1.2.2 Secondary Research

The key starting point for research data about the events market is published or secondary data in journal or course- material form. In some countries, this data might be available for free through such institutions as business libraries. Industry bodies might also produce annual reports on the events industry, and this data can be key in helping to develop marketing plans. Typical secondary reports for the events industry are Mintel's *Ticketing Purchase Process: Sports Events and Concerts in the USA* (available at http://www.oxygen.mintel.com) and Key Note's *Exhibitions and Conferences 2011* (available at http://www.keynote.co.uk).

3.1.3 Stakeholders

While consumers are the most important group for an event manager, there are other key people to consider – stakeholders. (These people will be covered in more detail in Unit 9.) An event stakeholder is any group or individual with influence over the running of an event or someone who might be aff ected by the event. Allen *et al*. (2011) refer to the most important stakeholders as 'key players'. The event manager should consider what each of these stakeholders is seeking to gain from the event.

The importance of stakeholder groups varies from event to event, but many, such as the Planning Department at the local council, are important groups for a number of events as they are often required to grant permission before an event can take place. The key to successful stakeholder analysis is not only to identify the most important groups but to manage communication with them and consider which messages are sent to them. This is illustrated in Table 7.2, where some key stakeholders are identified. This list is not exhaustive and serves only to demonstrate how many important stakeholders there are. This table can be adapted to any number of events and new stakeholder groups can be introduced. The local bank, for

example, is important to help the event organiser secure funding to cope with the high levels of investment needed to launch the event, but it helps the bank management to make their decision when they see how much publicity the event is receiving and how much it is likely to impact on the local economy and community. Event sponsors are also key stakeholders. These will be covered later in this unit.

Table 7.2 Event Stakeholders

Stakeholder groups	*Most appropriate means of communication*	*Current links with stakeholder (key people or groups)*
Local government planning department	Written report to the Planning Department and a meeting to discuss the impact of the event in the chosen area	Planning Director Head of Planning Department Director of Cultural and Sporting Events
Governing body for the event	Letter Meetings Report of previous event	Supported by an association – International Festivals and Events
Local community	Local newspapers Radio stations Local television station Leaflets, letters and brochures	Community leaders representing particular areas of town Police team responsible for Newsletters local community
The media	Events management journals Local newspapers Local TV Websites	Journalists in each publication with responsibility for events; specifically named correspondents Radio and TV news departments

3.1.4 Segmenting the Events Market and Why People Attend

While it might be assumed that people are attending an event for the same reason, research shows that attendees often have diff erent motivations and come from a range of backgrounds (Fink *et al*. 2002). How many people are attending an event for the first time, perhaps out of curiosity or as a result of promotional initiatives, and how many are regular attendees? By applying the principles of market segmentation, event managers can divide their attendees into clearly identifiable groups, ideally starting with their motivation for attendance. Capturing data about the social group, age and marital status is basic demographic information, but this is a useful starting point for segmenting events. Kahle *et al.* (1996) looked at the reasons why people attend sporting events, but some of these reasons probably apply to other types of event, too. If event managers are able to identify specific segments and their motivations for attending, then it should be possible to send tailored messages to each of these groups.

Kahle *et al*. (1996) discovered that fans attend sporting events because they enjoy the camaraderie of attending with like-minded people, and they sometimes feel obligated to attend as a result of a history of attending. It seems plausible that such reasons will motivate people to attend music or arts events, too. Some of the people who attend an event may well do so just because they like to go to a variety of events – they like to spend time with friends and enjoy the excitement of the build-up and the unpredictability. This is a significant segment, so it is important to capture their contact details.

Kim and Chalip (2004) developed a conceptual model to identify why people attend events. Their research focused on 'push factors', such as age, gender, education, income and previous attendance at events, and linked these to 'mediating factors', such as the attraction of the event and interest in the event. They found that the perceived risk of attending and financial constraints impacted on intention to attend.

Research will often show important reasons why people attend events and help event managers to make more informed decisions about their events. Nicholson and Pearce (2001) looked at the Wildfoods Festival, which incorporated four different events, and found that the most important factor for attendance was because attendees were specifically interested in one of the activities on offer, such as food and wine tasting.

In many cases, attendees might just come along in order to meet new people. A feature of many developed countries is the mobility of labour, with people taking jobs away from the place where they grew up. Single people will therefore attend events on their own or as part of organised groups as a way of enriching their social lives (Melnick 1993).

3.1.5 Event Objectives

Many events have set capacities for attendees and participants. Goal-setting for an event with a stadium capacity of 50,000 people is relatively straightforward and just a matter of working out who these 50,000 people will be. Many event managers use customer relationship management (CRM) databases to manage lists of existing customers. This also includes such areas as loyalty cards for event attendees to encourage attendance at future events. Football clubs in England and NFL franchises in the United States often have huge databases, sometimes containing details of more than 400,000 contacts, and these can be important starting points in helping them sell out their venues.

A simple objective might be to achieve a 70 per cent level of satisfaction with the event, which can be measured by a survey of a sample of those who attended. An event organiser should be careful not to assume that most people who attended were happy if they have no evidence to back up this opinion.

3.1.6 Event Marketing Mix

The next stage of the event marketing plan – the marketing strategy phase in McDonald's marketing plan structure – is to consider the elements of the marketing mix and break them down into discrete components. For event marketing, these components are usually broken down into Booms and Bitner's '7Ps': product, place, price, promotion, people, process and physical evidence, although some researchers use only five categories (Hoyle 2002). The latter include the make-up of the event product and the range of activities built into the event; the place or location which is most appropriate to deliver the right event experience; the pricing levels which represent value for money for those attending while maximising revenue; the promotion or publicity that can be generated in the media to help publicise and make stake-holders aware of the event; and knowing how to position the event in the minds of potential attendees so that they might consider attending it again in the future.

Events also have different characteristics, such as intangibility, inseparability, variability and perishability (Blythe, 2009). Research by Lovelock and Gummerson (2004) found that most writers on services marketing referred to the four characteristics of intangibility, heterogeneity, inseparability and perishability. An event is not a physical product – it is intangible – so it is difficult to promote without an understanding of the event experience that appeals to attendees. Booms and Bitner (1981) suggest that the event attendee therefore

requires some physical evidence of their event experience. One way of addressing the issue of intangibility is to provide merchandising, such as T-shirts at music events, which act as tangible reminders of the event. The event itself is produced and consumed at the same time, so these are inseparable, which means that planning the event experience is also critical. The event production is variable, as the experience of the attendee at music festival or show is not guaranteed, and in a sporting event the outcome is uncertain. Finally, most events are perishable, because empty seats cannot be sold and potential revenue is lost once they have begun.

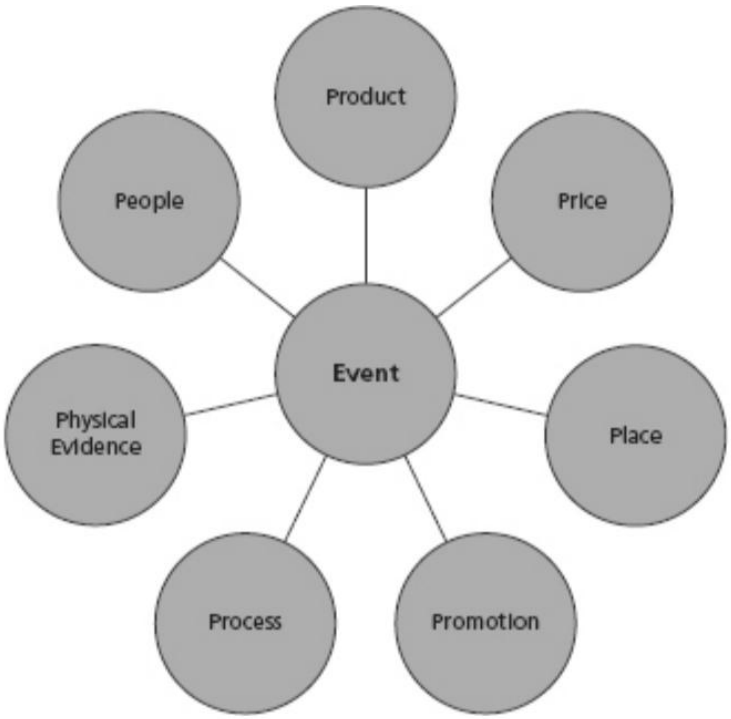

Figure 7.3 Event marketing mix, Source: Adapted from Booms and Bitner 1981

3.1.6.1 Event Attributes and Branding

Developing a recognisable brand and improving brand image are critical for event planners. These should not be seen as separate activities but as parts of the overall marketing plan. Blythe (2009) suggests that a consumer receives the following benefits from a brand:

- self-image
- quality
- cost
- expected performance
- diff erentiation from competing brands.

Consumers of prestigious events have an expected level of performance and quality, which are usually diff erentiated from competing events, where its cost reflects the status of the event and the event helps to improve aspects of their self-image. The physical evidence of the brand comes in the form of the brand name and logo, which are often an attendee's first view of the event in publicity material, so event organisers should invest in the outward appearance of these to items.

3.1.6.2 Event Pricing and Break-Even Analysis

Pricing strategies should reflect the objectives of an event organiser and should offer the potential customer value for money, while also taking the pricing of competitor events into consideration. An important starting point for price setting is to establish the break-even point. This is the point at which all the costs of the event are matched by the total revenue. If the total cost of the event is #10,000, and the typical cost of a ticket is #10, the break-even point is the sale of 1000 tickets. Hitting this target as early as possible will allow the event manager to relax, at least a little. (See Unit 4 for more on ticketing.).

The week-long Docklands Comedy Festival in London, which attracts a number of well-known celebrities, is free to attend, as it is entirely financed by the sponsorship of large banks that are based in the area. This is also the case for the Nuremberg Classic Music Party in the Park, a biannual classical music concert that is free to enter for over 10,000 people because it is entirely financed by local businesses.

3.1.6.3 Demand-Oriented Pricing

Demand-oriented pricing takes into account the various market segments which are attracted to events, allowing the attendee more options to purchase. This requires a more sophisticated approach to pricing and a better understanding of how people buy. The different levels of price might reflect the position of the seats at the event or built-in extras, such as free gifts, discounted refreshments, free car parking and free event literature. Event marketers should always try to add value when they review their pricing, rather than take the riskier option of discounting. Price reductions serve to devalue the event and can ultimately lead to a fall in total revenue, presenting the event manager with the task of investing more money to try to generate new attendees to make up for the resulting shortfall in revenue.

This approach to adding value is also referred to as ‘upgrading’ (Wakefield 2007). The customer who paid #30 for a ticket to last year's event might be happy to pay #35 this year if they get a better seat, a free drink in the bar and a 20 per cent discount voucher to purchase merchandise. More importantly, this represents another sale to an existing customer and possibly increases their loyalty to the event. Increasingly, consumers expect to be able to purchase tickets online, so these should be made available, but again with added value. Online ticketing is a quicker way of generating extra sales without the cost of employing ticket sellers, and for certain groups of event attendees this is their preferred purchasing method. Moreover, setting up online payment is a relatively straightforward procedure for event organisers (Holden 2008).

3.1.6.4 All-inclusive Pricing

This is sometimes referred to as a ‘package price’. It offers the event attendee added value while maintaining revenue levels. For some people, the ticket price might be set at an acceptable level, but they might still be dissuaded attending if they think they will not be able to buy affordable, good-quality food at the event. Such people's concerns might be alleviated with the offer of an all-inclusive ticket.

3.1.7 Event distribution Channels

‘Place’ is where the event experience is delivered and also where the distribution of tickets takes place (Blythe 2009). This includes websites, which are now an essential support tool for most events. The main functions of an event website are to remind people about the event

experience, to facilitate the sale of merchandise and to make it easier to purchase tickets. For loyal event attendees, the website should manage their expectations and keep them up-to-date with news and developments about the event, performing the role of an online newspaper or magazine, or replacing the products that event managers use to publicise their events. The event manager can also use social media networks and e-mail to disseminate information to potential customers.

3.1.8 Event Promotion

A perceptual map is an important technique in the positioning of an event. It requires an understanding of how consumers view events, and also takes into account their attitudes to competitors' events.

In Figure 7.4 the hypothetical Premier Arts Festival (PAF) is positioned using eight variables, which represent the attendee's view of the event experience and also take into account the views of competitors' events. The data needed for this analysis can be provided by questionnaires. In Figure 7.4 the PAF ranks lower on all-inclusive tickets and its range of additional services than all of its competitors. These results show the event marketer areas where improvements need to be made.

Figure 7.4 Perceptual map for an arts festival

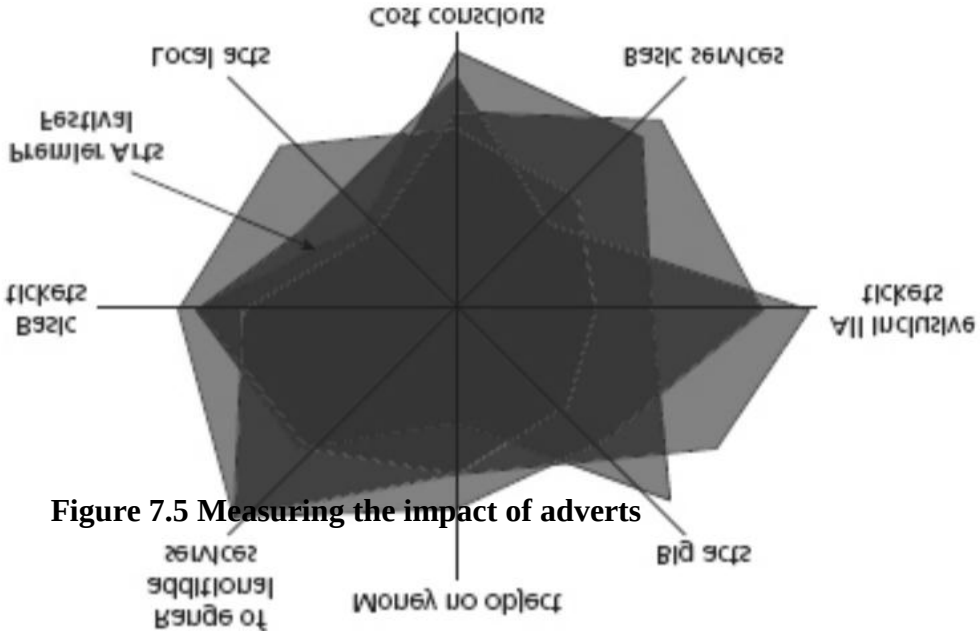

Figure 7.5 Measuring the impact of adverts

Advertising represents additional cost for an event marketer, so it is essential to understand what impact this has and how its eff ectiveness can be measured, in order that realistic targets might be set. In Figure 7.5 the impact of placing an advert for a wedding fair in a wedding magazine is evaluated. The advert is placed every month for six months. The target group of 60,000 women therefore have six opportunities to see (OTS) the advert, making a total maximum reach of 360,000, assuming that nobody sees the advert more than once. If only 5 per cent of this group do anything as a result of seeing the advert, then this represents 18,000 people. If the total cost of six adverts is #36,000, then the cost of reaching each of these people is #2. Similar calculations can be used for other forms of advertising, but the most important consideration is that advertising does not have the impact that novice event managers often expect it to have.

3.1.9 E-Marketing and Internet Marketing

It is important to clarify the meaning of the terms ‘e-marketing’ and ‘internet marketing’, as they are often used interchangeably. According to Chaff ey *et al.* (2006: 252), internet marketing is ‘achieving marketing objectives through applying digital technologies’, which include web-sites, e-mail, wireless or mobile, and digital television. E-marketing refers to all of these too, but also to ‘digital customer data and electronic customer relationship management systems’.

The fast pace of development in e-marketing and web-based technologies continues to present ever more opportunities and threats to event marketers. However, whenever an event manager decides to use any of these new applications, they must do so because they see it as a means of improving the overall consumer experience, not just because it is administratively more efficient or a lower-cost option than traditional methods. The challenge for the event marketer is to use these applications to improve overall marketing performance without creating distance from customers (Holden 2008).

The areas that event managers should focus on when developing their e-marketing plan are as follows:

- Information strategy – knowing what information the customer needs and providing it.
- Production/delivery strategy – knowing how the product or service (including information) can reach the customer, despite their dealing with the marketing team from a distance.
- Organisational strategy – what needs to happen in the business to enable everything else to happen for the customer.
- Assessment strategy – a way of monitoring success and failure.
- Marketing strategy – focusing on customers to steer al of the above in the direction the company needs to follow to achieve its aim. (adapted from Holden 2008).

Managers must ensure that the information needs of attendees are identified, and must then focus on the production and delivery of the event so that customer needs are satisfied. It is also vital to ensure that the whole event team is aware of the benefits of these applications and that evaluation techniques are used to assess the success or failure of the event. The final component is to build e-marketing activities into the overall marketing plan.

The World Wide Web (WWW) enables users of the internet to share information in the form of text, pictures or sounds, and it is a perfect vehicle through which event managers may communicate with key stakeholders (De Pelsmacker *et al*. 2010). For many international event attendees, the internet is usually their first point of contact when seeking information,

so it is important for the event organisers to present their event in a professional manner. Web-based applications have built-in measurement tools, such as Google Analytics™, which show how many people have visited a website, the amount of time that each visitor spends on a web page, and if any of the site visitors have requested further information or purchased anything. When a website is visited and the contents of a banner advert are accessed, this is called the 'click-through', so the 'clickthrough rate' is the proportion of website visitors who click on an advert (Chaffey *et al.* 2006). Google Analytics™ has several other useful features, too:

- Advanced segmentation – This enables the event manager to segment their visitors by region, by number of visits to the site, by revenue generated per customer, and so on.
- Analytics intelligence – Here, any significant changes in data are noted and automatically pointed out to the site manager.
- Custom reports – All data on Google Analytics™ can be used to produce reports which present data in a more professional format.
- Advanced analysis tools – Extra tools enable the analysis of data using multiple dimensions and features that filter data. (http://www.googlenalytics.com)

If an event website is used to sell advertising space, payment will usually be based on how many people clickthrough the advertiser's banner advert. It is important for the event manager to ensure that their website appears near the top of search engines, such as Google, a process called 'search engine optimisation'. Clearly, more organisations are now using web technology, as the number of adverts that appear online is growing by as much as 20 per cent per annum, perhaps encouraged by the built-in feedback that web technology provides (De Pelsmacker *et al*. 2010). Selling sponsorship on the event website is also possible, with the rate paid based on the number of visitors to the site, the time spent on the site and any data that show the type of visitors to the site.

Ever more event managers are now organising online, or virtual, events. One company in Australia – Online Events – specialises in this and has a growing number of people registering for its events. It hosts corporate events and conferences that can be broadcast to several countries

simultaneously via the web (see http://www.onlineevents.com.au/). Increasingly, event managers are also using Facebook- material's 'Events' pages to encourage their attendees and supporters to post information and to inform followers about the next event (see Unit 15 for more on social networking websites).

3.2 Event Sponsorship

The events business provides some of the best examples of how sponsorship works, with some of the biggest sponsorship deals linked to major events. According to BDS (2010), sponsorship is: 'a business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return rights and association that may be used for commercial advantage in return for the sponsorship investment'.

Image 7.1 Virgin Racing media launch, Source: Jeff J. Mitchell / Getty Images

As more companies research their sponsorship activities, they forge better relationships with their sponsors. Some sponsorship managers have changed their job titles to 'relationship manager' or 'partnership manager', to demonstrate the increased importance of their role. The practice of sponsoring events is well established. For instance, car manufacturers frequently supported early motor races by providing cars, expert mechanics or tyres at reduced cost because their association with the event helped promote their core business to participants and spectators.

As the events market grows, so event managers must learn about the increasing cost-recovery possibilities that sponsorship presents. While sponsorship is a key function for some companies, the fact remains that the majority have not thought to use it as a marketing tool because they have not been approached by event managers.

3.2.1 Attracting Sponsors

The first consideration for event managers who are looking to secure sponsorship is to ask how much money they might secure. Clearly, their goal is to try to get as much as possible in order to make the event more viable and ultimately more successful. The value of any sponsorship deal is subject to the following:

- How much coverage will the event receive in the media (press, radio, television, web)?
- Who will be taking part in the event?
- Who will attend the event?
- What, in particular (value), might the sponsor gain by supporting this event?
- What help could be provided to make the partnership a success, such as the number of staff who might be allocated to look after the sponsor at the event?

Finding the answers to these questions will depend on securing data from events through market research. Some of this data will be generated by the event organiser's own activities, while the rest might be found in secondary sources.

Increasingly, sponsors are interested in reaching people by electronic media, and an event organiser who is able to provide a list of contact details for attendees might stand a better chance of securing a deal. Perhaps one of the most important target groups for sponsorship is the media itself, with radio stations likely to be the most cooperative (Skinner and Rukavina 2003). Inviting media partners to be sponsors, even if this is only sponsorship in kind, means that they are much more likely to promote the event. This is invaluable in helping to raise the profile of an event and making it a more attractive proposition for other potential sponsors.

Media coverage is almost certainly the biggest driver of sponsorship deals for events, because it delivers a much bigger potential audience for the sponsor. While perhaps 100,000 people might attend an event and see the names of sponsors on billboards, the television audience – numbering in the millions, sometimes across many countries – has a much greater chance of increasing awareness of the sponsor's brand. For instance, the Guinness Rugby World Cup was shown in around 150 countries to a combined television audience of around three billion (Rines 2002), and this level of exposure is obviously of interest to major sponsors. However, even without media coverage, and for any size of event, an understanding of how the event audience might be attractive to the sponsor can help to maximise the value of the sponsorship deal.

There are different levels of sponsorship, with the most important being title sponsorship. Here, the sponsor's name is inserted before the event title, such as the Pedigree Chum United Kingdom Dog Show. Other levels of sponsorship enable more sponsorship partners to be recruited. In addition to the main title sponsor, different sponsors might be secured for specific parts of the event. These will receive less coverage and fewer benefits. Finally, minor sponsors might provide catering and refreshments.

An event organiser should always ask the question, 'What can I do for my sponsor(s)?', not 'What can the sponsor(s) do for me?' The organiser of a relatively new music festival is likely to view their 5000 customers simply as lovers of music, and perhaps as passionate supporters of the event, but these people will have other interests and leisure activities, and they will consume many other products and services. A well-maintained database might highlight that they are predominantly middle class and that they are interested in travel and holidays. These event attendees would therefore be of great interest to a travel company that sells adventure holidays. A mail-out to these music lovers – as an official sponsor of their music festival, with an enclosed discount voucher – might easily generate fifty leads. If the company subsequently managed to sell just five holidays as a result, that would probably more than recoup the money it paid in sponsorship. Of course, this promotion would also increase awareness of the sponsor's core business and might well lead to future enquiries, making it even more financially beneficial. If the event organiser were to provide a hospitality package for the holiday company, enabling it to introduce some of its best clients to one of the bands, this would add even more value to the deal.

3.2.2 Developing the Event Sponsorship Plan

Securing sponsorship for an event starts with a sponsorship plan to highlight what the event can offer a sponsor and the likely cost of the deal. A useful starting point is to produce a list of the costs of the event to see where it might be better to secure sponsorship in kind. Hiring a hall to put on the event might eat into the budget, so securing a sponsorship in kind deal with an organisation that has use of a hall would be a good idea. Another example is Lucozade's sponsorship in kind of the London Marathon. The company provides the thousands of drinks that are handed out to runners during this gruelling event.

It is crucial to research potential sponsors. This type of investigation should uncover important information that will enable the event manager to find areas of mutual interest, but it might also prevent potentially embarrassing associations. As the number of sponsorship deals increases, more companies are starting to issue guidelines on what they expect from a sponsorship deal (Stotlar 2005). These guidelines usually show that a company has experience in the sponsorship market, so they are very useful for any event organiser who is in the process of drafting sponsorship proposals.

Image 7.2 Budweiser advertisements at a baseball game, Source: John Grieshop/Getty Images.

3.2.3 Setting Event Sponsorship Objectives

Having researched potential sponsors, the event manager can start to develop appropriate objectives for the proposed plan, which will outline the benefits of the sponsorship deal. In many cases, the person dealing with the proposal in the sponsor's organisation will not be the ultimate decision-maker, so providing them with a clear list of potential benefits should make their job of convincing their boss to approve the deal that much easier.

Sponsorship objectives must be realistic, and where possible should be measurable. For instance, if the aim is to raise awareness of the sponsor's name, a pre-event survey will show what current awareness levels are, and then subsequent surveys can be carried out during and after the event to provide evidence of the sponsorship's effectiveness. Some potential sponsorship objectives are:

- To increase awareness levels of a company's products/services (Rines 2002).
- To demonstrate new or improved products to clients in an exclusive environment (Rines 2002; Skinner and Rukavina 2003).
- To improve the company's image (Sneath *et al.* 2005).
- To incentivise the workforce (Rines 2002; Stotlar 2005).
- To motivate/recruit/retain the workforce (Rines 2002; Skinner and Rukavina 2003).
- To develop better working relationships with distributors (Rines 2002).
- To improve relationships with the press (Rines 2002).
- To increase global exposure (Stotlar 2005).
- To increase sales (via product sampling (Stotlar 2005).

More than one of these can be achieved in one deal. Perhaps the most popular objective is to increase levels of awareness of the sponsor's brand, but sponsors increasingly expect more than just this (Rines 2002).

Attendees are more likely to view a company more favourably as a result of the latter's sponsorship of an event. For instance, as many as 57 per cent of attendees said that their opinion of a motor manufacturer had improved after a six-day charitable event in the USA that attracted over 750,000 spectators (Sneath *et al.* 2005). Increasingly, evaluation services are being offered by specialist agencies, such as Sport und Markt, a German agency that is expanding throughout Europe.

3.2.4 Preparing the Sponsorship Proposal

In order to inform new potential sponsors what they might gain from sponsoring an event, the management team must draw up a sponsorship proposal. This will communicate to the potential sponsor the precise benefits of sponsoring the event and how much cash or sponsorship in kind they will be expected to provide. It should also explain why they will achieve a much better return on their investment through sponsorship than they would from traditional advertising or sales promotions (Solomon 2002). A survey in the United States showed that around 55 per cent of all new sponsorship deals were secured as a result of a cold call to a potential sponsor (IEG Survey 2001, cited in Stotlar 2005). Ideally, a sponsorship proposal should cover the following areas (adapted from Solomon 2002):

- Exclusivity – Proposed sponsor to be the only one from their product category.
- Television – Specify the minimum amount of TV coverage for the sponsor.

- Signage – State how many signs the sponsor will be allowed to place at the event.
- Entertainment – Indicate how many hospitality options and free tickets are included in the deal.
- Display/merchandise – Indicate which merchandise options are available to the sponsor.
- Promotions/public relations – List the sponsor's access to event promotions and PR activities.
- Advertising – Detail how the sponsor's logo will be used in event advertising.
- Cost – How much the deal is worth and when the money should be paid.

These categories are the minimum that a potential sponsor will require; they should be comprehensive enough to protect both the sponsor and the event organiser; and they will form the basis of the sponsorship contract. A sponsor will pay more for an event with media coverage, so a guarantee of a minimum level of media exposure might need to be specified. Increasingly, sponsors insert clauses into their contracts which specify minimum levels of media coverage. Therefore, the amount of space which will be in view of the media must be included, particularly if the names of other sponsors are going to appear in view at the same time. The total number of entry tickets to be included as part of the deal must be clarified to enable the sponsor to plan exactly who will benefit from them. Increasingly, sponsors expect to be able to hand out publicity about their company, and in some cases give out samples, so the proposal must state exactly what they will be entitled to do. Using the sponsor's name in any advertising, promotion or public relations activities must be considered, as the sponsor will gain more value from the deal in this way.

When the drinks company Allied Domecq sponsored the Royal Shakespeare Company in 1995, its aim was to improve its image by linking with such a high-profile and prestigious company. It was also able to put on a special event in New York, where it entertained key stakeholders, including diplomats and politicians. This helped the company to develop better relationships with its stakeholders but in a more relaxed and stimulating environment, while showing that it had a working relationship with one of the most celebrated arts organisations in the world (Skinner and Rukavina 2003).

3.2.5 Creative Sponsorship Strategies

The events sponsorship market is expected to grow at around 3 per cent annually (Mintel 2009), creating many new opportunities for event managers. Some of the biggest sponsorship deals are now struck over naming rights of venues. For instance, the Sheffield Events Arena was recently sponsored by a local radio station and is now called the Hallam FM Arena.

Increasingly, though, companies are looking to develop more innovative sponsorship strategies. When the National Westminster Bank sponsored cricket in England, it used a corporate social responsibility strategy to try to position its brand at the heart of the community. It designed a ‘Cricket Community’ road show which invited local children to try cricket for the first time, with research showing 85 per cent of people thought that it had encouraged more children to take up sports. The amount of publicity that these events generated was important, but the fact that the bank was involved in such an important project also helped to change the perception of some of its stakeholders.

It is important to manage relationships with sponsors. Early sponsorship deals were secured as a result of personal preferences within the sponsoring company, rather than for commercial reasons. When a local engineering firm sponsored an annual music festival, it

was often as a result of a decision made by a director of the company who wished to support his partner's favourite event, rather than for sound commercial reasons. Of course, an engineering firm might receive considerable benefits by sponsoring such an event, but such an investment needs to be made as a result of effective research.

Many successful sponsorship deals now involve 'activation' – an amount of money which a sponsoring company invests above its initial sponsorship payment. According to Performance Research, after making a #1 million sponsorship payment, a company might find it beneficial to invest another #3 million to promote and support their sponsorship of an event (cited in Stotlar 2005: 38).

Companies are increasingly turning to sponsorship agents to help them find the best match. Fiona Green, a sponsorship consultant with over twenty years' experience in the field, brokers deals between companies and potential sponsors. When representing an organisation that is interested in sponsorship, she compiles a list of events and compares these with the potential sponsor's objectives. She then contacts the managers of the most appropriate events to see if a deal can be struck. (See the 'Industry Voice' section below.)

3.2.6 Evaluating Event Sponsorship

Evaluating the effectiveness of sponsorship shows sponsors that their main objectives have been met, and hopefully exceeded. However, a budget for these activities must be agreed in advance. For larger sponsors, these services are usually provided as part of a comprehensive package by companies like the International Events Group (IEG). Smaller sponsors might also contract out some of their evaluation, but increasingly they carry out their own research as part of their overall market research activities.

One of the most important techniques for assessing the impact of a sponsor's activities is to measure the amount of publicity generated, as is highlighted in Table 7.3. The most frequently used measurement is the advertising equivalency of publicity (AEP). The exposure of the sponsor's brand on television is measured against the cost of buying the same amount of time in a TV advert. If, for example, Euronics sponsors the Ideal Homes Exhibition, which is then featured on television, the amount of time that the sponsor's name appears is recorded. According to the International Events Group (IEG), this is based on the amount of time that the brand name appears in shot as long as it is at least 75 per cent visible (Lagae 2005). If the brand name appears in a prime-time television show for thirty seconds, then the AEP is the same as a thirty-second advertising slot during that programme. If the cost of placing a thirty-second advert is #40,000, then the AEP is #40,000. If this appears in five different countries, then calculations must be made for each of those markets. Similarly, if the brand name appears in a half-page story in a magazine, and the cost of a half-page advert is #5000, then the AEP is #5000. Clearly, the simple appearance of a brand name does not have the same impact as an advert, but it is a recognised form of measurement. Keeping cuttings from press articles and presenting them to the potential sponsor is one way of showing them how they will benefit from event sponsorship.

Other evaluation techniques include interviewing important stakeholders, such as participants, to test their view of the sponsorship and their attitude to the brand. For larger groups, a survey will also provide important feedback. Sponsorship packages which direct participants to a website can be measured by the number of visitors to that website and the degree of movement around it.

When Guinness sponsored the Rugby World Cup in 1999, one of its principal objectives was to create a consistent global identity, which it believed sponsorship could deliver more cost-

eff ectively than advertising. The cost of advertising in all countries exposed to the event was much higher than creating similar levels of exposure through sponsorship (Rines 2002).

Table 7.3 Sponsorship evaluation techniques

Aims of sponsoring events	Techniques for measuring the impact of sponsorship
To increase awareness levels of product/ service and company (Rines 2002)	Survey to measure percentage recall of the sponsor's involvement with the event, based on prompted brand awareness Media exposure measurement based on time on television and radio and the number of column inches in publications
To demonstrate new products or improved products to clients in an exclusive environment (Rines 2002; Skinner and Rukavina 2003)	Feedback from participants or attendees to gain their views about new products shown
To improve company image	Collect of press cuttings and record number of mentions and the audience or readership of the media where cuttings appear
To incentivise the workforce (Rines 2002; Stotlar 2005)	Staff attitude survey or interviews about proposed sponsorship
To motivate, recruit/retain the workforce (Rines 2002; Skinner and Rukavina 2003)	Staff survey and interviews as part of appraisal
To develop better working relationships with distributors (Rines 2002)	Formal and informal feedback from distributors who attend the event Measure the increase in sales, or sales leads, as a result of sponsoring the event
To involve the local community	Interview key stakeholders Survey local community
To create a global identity (Rines 2002)	Measure the impact of media coverage on a global basis

Table 7.3 Sponsorship evaluation techniques

3.2.7 Building Loyalty and Sponsor Networks

Even though the sponsorship market is growing, unfortunately, for event managers, sponsors do not always continue to sponsor the same event. If the principal aim of the deal was to increase awareness of the brand and this has been achieved, a sponsor might choose another marketing communications activity that will help to generate new sales leads. Others do not renew their deals if the sponsorship has not delivered the expected benefits. Event managers must take this into consideration and develop eff ective working relationships with their sponsors. As a minimum, they should produce an annual report with feedback about the impact of the sponsorship deal, and collaborate with the sponsor throughout the year.

Other, more innovative ideas are to hold a party for the sponsor to celebrate the relationship and to give gifts, such as signed photographs or other tangible mementos of the event (Skinner and Rukavina 2003). It is also important, if possible, to sign long-term agreements with sponsors, or to renew contracts if the partnership has been beneficial. In some cases, encouraging staff and participants to buy the sponsor's products is a simple way of rewarding the sponsor for their investment.

3.2.8 Ethical and Legal Considerations in Event Sponsorship

Event organisers are under increasing pressure not to associate with controversial sponsors. When tobacco companies were banned from advertising on television in the 1970s, they turned to the sponsorship of major events, predominantly sporting, in an attempt to ensure that their brand names received continued media exposure. But now, while Formula One teams are still sponsored by tobacco companies, they are not allowed to show the sponsor's name or logo when they compete in France (Stotlar 2005). This legislation also extends to the large fleets of vehicles that are used to transport team equipment from event to event. There is also increasing pressure on event organisers not to work with sponsors from the booming online betting industry, and there has even been some discussion about accepting sponsorship from fast-food companies. While these companies are not yet affected by legislation, it is important to monitor current opinion and to be clear about how this type of sponsorship impacts on brand image.

Event organisers should also be aware of ethical considerations when choosing their sponsors. While a local school might be happy to receive #20,000 to help in the staging of its annual swimming gala, is it acceptable for a local fast-food outlet to sponsor the event, given the current problem of childhood obesity? It is sometimes difficult to find the right answers to such questions, especially when large sums of money are involved, but the event organiser should always be aware of the danger of negative publicity.

Ambush marketing represents a threat to sponsorship agreements, and event managers must be prepared to protect the interests of their sponsors. An ambush marketer creates marketing communications at or near an event to convince stakeholders that they are an official sponsor, even though they are not. So an organiser must take steps to prevent attendees displaying the brand names of non-sponsoring organisations. Event personnel might be instructed to confiscate any non-sponsor branded items, to stop them from being filmed by television cameras or photographed by the press inside the venue. This created a stir at the World Cup in Germany in 2006, when Dutch football supporters were instructed to remove branded dungarees that had been handed out by a non-sponsor, leaving the fans to watch the match in just their underpants.

A few years later, the major computer game manufacturer Nintendo chose not to attend the Nuremberg International Toy Fair, but it ambushed the event by driving a mobile promotional van through the centre of the city during the week of the event.

4.0 CONCLUSION

This unit discussed all as it relates to event marketing, marketing planning and sponsorship of events.

5.0 SUMMARY

To gain an understanding of what event consumers require from an event experience, it is necessary to investigate what role the event plays in their lives, and which emotions are associated with that experience. Events are about lifestyle, excitement and escapism from dayto-day life; they must be memorable and an important ingredient in the lives of attendees. This requires a new approach to research and marketing planning to ensure that organisers cater for both consumers and key stakeholders who can contribute to the success of the event. Event managers must ensure that research is at the heart of everything they do when planning an event. They must work hard to develop the event's brand image and must be willing to improve factors that impact on service quality. More attention needs to be paid to

pricing and promotion, as well as to new technologies that can improve overall customer satisfaction.

Growing numbers of event managers are now dependent on sponsors for funding, so they must find ways to improve relationships with these companies. An ability to attract sponsorship might well be the difference between success and failure, so more resources must be devoted to sponsorship evaluation and innovative sponsorship strategies that will make potential sponsors even more keen to invest in events.

6.0 TUTOR-MARKED ASSIGNMENT

- What marketing objectives would you set for next year's International trade Fair?
- What are the key threats that will affect next year's International trade fair?
- How would you advise the organisers to increase their sponsorship revenue by 10 per cent for next year's International trade fair?

7.0 REFERENCES/FURTHER READINGS

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UNIT 6: EVENT AND THE MEDIA

CONTENTS

1.0 INTRODUCTION

This unit focuses on media coverage as a mediated reality between those directly involved in an event and its wider stakeholders. Media coverage has been responsible for revitalising certain events and even re-engineering how events are organised and delivered. Media coverage not only increases sponsorship exposure among a much wider audience but significantly shapes international perceptions of events, resulting in important new challenges to their planning, management, delivery and legacies. In some cases, media coverage can overshadow the main event objectives, and even ‘hijack’ the impact of their planned outcomes. However, many of the challenges that event planners face in obtaining media coverage, whatever the size of the event, can be overcome, and an attempt to understand how the media operates might well contribute to a more successful event.

Event managers face an increasingly challenging media environment, irrespective of geographical location, and they cannot ignore the importance of being effective managers of the media. The increased fragmentation of the media in general means that there are many more points of contact for event planners to consider. They must also come to terms with the new social media platforms, such as Facebook- material, Twitter and YouTube, which present fresh opportunities and challenges. They must bear in mind that the media have the potential to make or break an event, so they should understand how to make best use of this influence, while at the same time ensuring that it is not allowed to destroy the reputation of an event. The media, while very powerful and hungry for stories, works in a particular way, so an understanding of its rituals and procedures should lead to a much stronger mutual working relationship. It is therefore vital to understand all aspects of the media, its key players and the roles they occupy. The event team should make informing the media an important part of its overall tasks, in an attempt to maintain interest in the run-up to an event and during its staging. There should also be a plan to deal with any stories that might damage the reputation and standing of the event, with crisis management built into the overall event planning process.

2.0 OBJECTIVE

At the end of this unit, you should be able to:

- To define event media.
- To understand the role of the media in modern events.
- To identify what is required to manage media coverage of events.
- To predict the challenges inherent in modern coverage of events.

3.0 MAIN CONTENT

3.1 What Is The Media?

The media can be defined as any communication medium that is designed and managed by an owner with the aim of informing or entertaining an audience (Katz 2007). Also referred to as the mass media, it is a form of communication that operates on a large scale, reaching and involving most people in society. Originally, the written word was the most effective way of communicating with an audience, but then this was superseded by the arrival of radio and television. Distinctions were then made between print and electronic media. However, given the introduction of web-based technology, a newspaper can now be in print format and/or in an electronic version on a website (Katz 2007). Such is the rise of the web as a means of obtaining news that many newspapers in the United States are now facing closure as their sales plummet.

Table 15.1 Components of the media

Print media	*Electronic media*	*Social media*
Newspapers	Television	Facebook- material/LinkedIn
Magazines	Radio	Twitter
Outdoor billboards	Internet	Blogs
Direct mail	Podcasts	

Source: Adapted from Katz 2007

There is much discussion about what the media is, and the elements shown in Table 15.1 (adapted from Katz 2007) are somewhat different from those itemised by McQuail (2002), who suggests that the media consists of newspapers, magazines, film, radio, television and

recorded music. To this, we must add social media, such as Facebook- material and Twitter, which offer opportunities to events managers to pass information on to their stakeholders, as will be discussed in more detail later in this unit.
Newspapers and TV stations, in particular, are investing heavily in their websites, which require a constant supply of stories and regular updating. For many people, the media fills a large part of their social and leisure time, so the stories and images it relays can be highly influential. It is the role of the media to convey information and entertainment to a variety of audiences, ranging from individuals to companies and other organisations (Katz 2007). While the media is not always seen as a positive force in advanced societies, and it is often considered to be too powerful, it cannot be ignored. It communicates with millions of people (Williams 2003), and it has the potential to change their attitudes towards specific events. It is worth considering the various components of the media in order to establish which represents the best choice when looking to communicate with an event audience.

3.1.1 Television

Television is possibly the most powerful of all media, given the size of the audience it can reach. Some television stations are owned by the state, and as a general rule they do not attract advertising revenue, whereas others are owned by private companies and usually generate income from advertising and sponsorship. The majority of these stations are viewed predominantly in their countries of origin, so they usually target the domestic market, although some programmes can be viewed in more than one country. Satellite television companies are generally multi-country and may specialise in specific areas, such as music and sports. Event managers can send information to television news programmes or specialist programmes in order to publicise their events. In some cases, they might secure a television interview, although this is advisable only if they are competent and feel confident that they will be able to hold their own with the interviewer (Baines *et al*. 2005).

It is perhaps harder to gain publicity on television than in any other media, but that should not put off the ambitious event manager, as the sheer size of the audience means that the event may well receive a significant and instant boost if it is covered on TV.

3.1.2 Radio

The number of radio stations has grown significantly over the past twenty years, primarily through the proliferation of new private stations. Most countries also have national radio stations that are usually aimed at specific target markets. A private commercial station usually looks for news items to fit into its hourly bulletins, with local stations concentrating on local events. Event managers should look to establish links with their local stations because they offer a targeted audience and can deliver instant news. The latter can be especially useful if attendees need to be given last-minute information, for instance about traffic delays or congestion near the event.

3.1.3 Newspapers

There are significant differences in the availability of national and local newspapers, depending on the country. For instance, in the USA, there are many regional newspapers; whereas in the UK, national tabloids enjoy much wider circulations than local newspapers. All newspapers attempt to inform and entertain their readers through print and photographs. While they generate some revenue through direct sales, their main income comes from advertising, so they cannot afford to offend the companies and organisations that buy advertising space.

3.1.4 Magazines

It is important to recognise the two broad categories of magazine: consumer magazines, aimed predominantly at individuals; and trade magazines, which are read mainly by people who work in a particular business area. Event managers tend to make use of both categories to promote their events: for instance, details of a music festival might appear in both the *NME* and in trade magazines aimed at the catering industry. All magazines produce reader data and media packs to encourage companies to buy advertising space, and these are useful for the event manager to check whether the attendee profile of their event matches that of the magazine reader.

3.1.5 Social networking sites

Social networking sites – such as Facebook- material, LinkedIn and Twitter – offer new ways of communicating with stakeholder groups. These sites bring together like-minded people and allow them to maintain dialogue with family, friends or business associates. Companies are increasingly using these sites to build contact lists of people who are interested in particular events or products. According to the website Football Marketing, as many as 14 million fans have visited Manchester United's Facebook- material site, with around 200,000 of them posting regularly (Football Marketing 2011). Glastonbury Festival also has around 160,000 members on its official Facebook- material page.

3.2 The Role of the Media in Events Management

When considering the media and events management, we must first look at the media's impact on society as a whole. A news story has the potential to reach millions of people within a very short period of time. Such is the power of the media that political groups are increasingly using it to inform the public of their activities. In terms of events management, the media plays a significant role in informing stakeholder groups about the importance of events, while at the same time making some events the focus of their stories. The 2010 Commonwealth Games in Delhi were dominated by media stories of poor facilities and problems with stadium management, even though, in reality, this was a relatively successful event in a developing country.

It might be argued that event managers are in competition with each other in pursuit of media coverage to increase interest in, or encourage people to attend, their events. The fact is that the events industry needs the media to help make events more prominent and increase awareness levels. With heightened awareness, there is a greater chance of enhanced ticket sales. Given the increase in satellite communication, the media is able to transfer information about events instantly all around the world to media partners in other countries. Bowdin *et al.* (2010) even suggest that some events may be created for media consumption, and that a TV audience may dwarf the number of attendees. They then suggest that 'integration of the event with the media provides greater exposure to the event' (Bowdin *et al.* 2010: 638), which means that if the event organisers treat the media as potential partners, the latter will be more likely to support the event. The goal of developing relationships with the media is therefore to generate publicity, which Kitchen (1997: 7) states is 'information from an outside source used by the news media based on its news value or information perceived by the media as relevant to its audiences'. Should the media endorse information in this way, that improves the event's relationship with its target audience. Even murderous regimes have understood the importance of utilising the power of the media: for instance, in 1978, the Argentinian military

dictatorship hired a leading US public relations agency to improve its public image in the run-up to the FIFA World Cup.

3.2.1 Media Events

A media event is either planned specifically to appeal to the media or simply receives extensive coverage because various media outlets feel it will be of interest to their audiences. While it is difficult to manufacture a media event, recognising when this happens is critical and might even form part of an overall plan for dealing with the media. These events are usually significant, sometimes on a global scale. They have been called 'a unique media genre that results when television's visual and narrative power taps into public fascination with a story that transcends daily experience' (Rivenburgh 2002: 32). People feel compelled to watch such an event, and in many cases a broadcaster and its audience will adjust their schedules in order to cover and see it. One example is when a national sports team progresses into the final of a major tournament. Even though the rights to broadcast the match might be owned by one key media supplier, others will still cover the story in depth.

3.2.2 Media rights

Media companies often pay a high premium to secure the rights for a particular event. The value of these broadcasting agreements is based on the amount of interest that such events generate among a television audience (which, for many major events, is likely to be a global audience). In the case of a major music festival, the media company that pays for exclusive broadcasting coverage will also invest heavily in promoting its involvement in the event and producing additional programmes. For instance, it might make a programme about setting up the event or one that shows its history. This programme might then hold a competition in which audience members can win tickets for the event or meet performers.

When a media company pays for exclusivity, it is important that the event manager does not breach the conditions of their agreement and allow rival broadcasters too much access. So, for instance, they should be careful not to leak stories to rival media groups or even answer every question that they receive about the event.

In order to improve the ratings for its main coverage of an event, a television company might include features in its main news programming. This reflects the importance of the event to the broadcasting organisation, rather than its importance to a wider audience, but it can serve to increase the event's popularity.

3.3 The Media and Links to Stakeholders

Table 15.2 identifies stakeholder groups that are important to event managers. Each of these stakeholders can influence the outcome of an event, so the event manager must communicate with all of them. As it is difficult and resource intensive for the event manager to contact such a wide range of stakeholders individually, they can provide information to the media in the hope that this will then be shared with the wider stakeholder group. While the media is listed as just one of a number of stakeholder groups in the table, it is a crucial resource for event managers as it can be used to influence all of the other groups.

Event organisers have access to a range of communication tools with which they can reach the most important stakeholder groups. It may well be impossible to communicate directly with all of the stakeholder groups listed in Table 15.2, perhaps due to budget or time constraints, so it is essential to prioritise them on the basis of their importance to the event. For large groups (such as attendees), media with a broad reach (such as television and newspapers) may be most effective, and these media might also get a message to other stakeholder groups. However, the event manager needs to ensure that they always

communicate with particular stakeholder groups in the most appropriate way, which means tailoring messages to specific audiences. For instance, it is probably best to contact government departments personally – through letters and face-to-face meetings. Many media organisations – especially local radio stations and newspapers – are increasingly reliant on receiving news rather than using their own journalists to find it, so they are more likely to reproduce press releases.

Table 15.2 Stakeholder groups and communication tools

Stakeholder groups	Communication tools
Attendees at the event (past, present or future) Event suppliers/agents Community (location of event) Media Financial community/investors Sponsors National/local government Employees/volunteers Potential Employees/volunteers Opinion Leaders or formers	Television Radio Newspapers Magazines Specialist publications Website Social media (Facebook- material, Twitter, etc.) Personal letters Meetings Newsletter Direct mail

3.3.1 Working with Journalists

Many event managers do not have experience of working closely with journalists. However, along with many other people, they may have preconceived ideas of what journalists are like. Many commentators talk of a new breed of journalist who could not be more diff erent from the traditional reporter who was forever in pursuit of a lead, knocking on doors and interviewing members of the public. These new journalists spend most of their time at their desks, trawling the internet to find the latest information that they need for their stories. This phenomenon presents new opportunities for any event organiser who is willing to provide the media with consistently good copy. Given the value of achieving widespread media coverage for events, the event manager should do everything in their power to make the journalist's job as easy as possible by supplying them with high-quality material. Once the journalist starts to trust a particular source of information, they are likely to keep coming back for more stories. Newspapers are now being produced both online and in print, which has created even more demand for stories. Events are perfectly equipped to meet this demand, and frequently provide great news stories that are usually well received by the journalists' audiences. Developing eff ective long-term relationships with the media should therefore be the goal of every event manager.

3.3.2 Working with the Media at an Event

Given the importance of the media to the event organisers, it is vital to ensure that their needs are catered for at events. It is vital to designate specific media areas where the reporters can produce the material that is needed for their particular medium. This usually entails setting up a press room with refreshments and perhaps even administrative support – all of which should make it easier for the journalists to write their (hopefully favourable) copy. Elsewhere, the media should be provided with photo opportunities and press passes that enable them to move around the venue with ease.

3.4 Media Management

Getz and Fairley (2004) considered the management of media at four different sporting events in Australia. Their paper contained interesting observations about the means employed by event organisers to develop their relationships with the media, and these can serve as guidelines for other event managers:

1. Employ a media relations officer to feed stories to the media and create media interest.
2. Advertise in local magazines or newspapers, and especially in special interest magazines, to promote the event.
3. Develop an event website to provide information to the media and other stakeholders.
4. Host media-familiarising tours of the event.
5. Organise media events to involve the media more closely with the event.
6. Monitor all media coverage, possibly through an agency.
7. Keep sponsors informed of media coverage.
8. Employ a professional camera operator to capture images.
9. Create video 'postcards' and stories to send to the media.
10. Employ a photographer to develop digital images to send to the media.
11. Develop long-term media relationships.

This is a crucial checklist for event managers and highlights areas where new skills or additional resources might be required. It is important to recruit the right people for these tasks, as dealing with the media demands considerable experience and understanding of how the system works. Employing a media relations officer will probably represent a new cost for the event, but hiring such a specialist – someone who is comfortable dealing with the media and knows how to create stories – should show a return on the investment.

3.4.1 Creating News Stories

It is important to understand the relationship between the media and advertisers when submitting information to the former. Advertising revenue usually represents the largest income stream for a media organisation, especially a small-scale one, so placing an advert for an event in the local paper will not only provide information for the target audience but help to build up a close, mutually beneficial relationship with the newspaper itself. Some publications also feature 'advertorials' – combined adverts and news stories. These can be a useful way of increasing the column inches devoted to an event. After all, the newspaper's editor might decide that an event is worth only four lines and no photo on an inside page, rather than the front-page splash that the event organiser had expected. Nevertheless, an experienced media relations officer should understand that any amount of coverage is valuable.

There will be several opportunities to work closely with the media during larger events, including tours to the venue to give journalists more insight into the event. The media also now make extensive use of websites to gather information, so setting one up should be a priority for any event manager. Obviously, the website should be carefully managed to ensure that it releases only the appropriate information to the media and other stakeholders.
The event organiser must collect and monitor data about all the media coverage that has been generated, either by members of the media themselves or through press releases. While this research can be carried out by the event team itself, it might be better managed by a specialist agency that has the resources to monitor global media coverage as well as local stories. It is also important for sponsors to be kept informed of any coverage that they have received, as sponsorship deals can sometimes be improved on the basis of early positive coverage.

It bears reiterating that event organisers should try to help the media as much as possible. For instance, an event is much more likely to receive a favourable write-up if the journalist is sent a pin-sharp digital image rather than a poor-quality photo (Getz and Fairley 2004). Video 'postcards' and stories are also useful tools for publicising an event. Some event managers might think that the media should incur the costs of producing such material, as they will be using it to fill their pages or their news bulletins. However, the initial outlay will be recouped many times over if the material forms the basis of a five-minute segment on a local news programme or a half-page feature in a newspaper. The event manager should strive to produce media kits and press packs that give more information than a simple press release, and they should present it in a format that the media can use immediately (Shone and Parry 2010).

3.4.2 Media and Sponsorship

As explained in previous unit, sponsorship is an important element in events management. While media organisations sometimes sponsor events and promote their links to them, they are not always willing to promote other event sponsors in their coverage. They will usually mention a title sponsor – if the event officially carries the name of that sponsor – but at other times they will instruct their camera operators to avoid showing a sponsor's name, particularly during interviews that take place with sponsors' names and logos in the background. Consequently, many sponsors' logos are only partially shown or are out of focus during TV coverage of events.

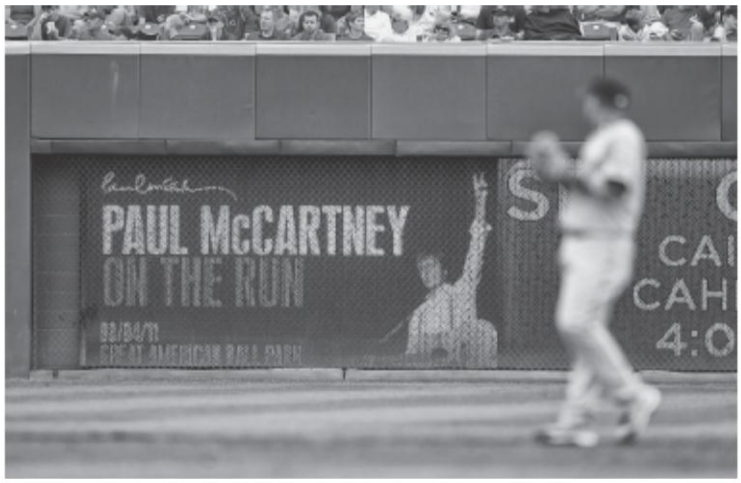

Image 15.1 Paul McCartney advertisement at a baseball game, Source: Joe Robbins/ Getty Images

Why do the broadcasters go to such lengths to keep the sponsors' names out of shot? The answer is simply that they are trying to protect their own advertisers (if they are a commercial station) or are trying to prevent sponsors from gaining free air time and name awareness (if they are state owned). Nevertheless, sponsors will pay heavily for events that receive wide media coverage, as these give them golden opportunities to expose their names to a large audience.

There is clearly a link between the media and sponsorship, and the event manager must be aware of its importance. Their aim should be to gain widespread media coverage for their event and then to use that coverage to leverage better sponsorship deals. Having secured these deals, they should work with the sponsors to devise a plan for maximum media presence during the event. Of course, television coverage of an event like a music festival

might also generate more interest in the event itself and encourage viewers to attend the following year.

3.4.3 Media and Logistics

One important consideration for an event manager is the area that is assigned to the media, because, as Bowdin *et al.* (2010) suggest, their presence might well be disruptive. This is particularly true when the arena has limited space, as is the case at many sporting events. How much space will be needed for technical support staff, and where will they stay if they need to be present at the event for more than one day? At mega-events, such as the Olympics, as many as 8000 journalists might cover an event with only 2000 participants (Horne 2007). Specialist press areas are created for many major events. In the case of major sporting events, such as the FIFA World Cup Final, journalists tend to occupy areas that are converted back to seating areas for spectators once the main event has concluded.

3.5 The impact of Media Coverage on Events

Media coverage – be it positive or negative – invariably has some impact on an event. Getz *et al.* (2007) found that many festival organisers in Australia and Sweden believed that the media had more impact than any other group of stakeholders. They also learned that the local media in Sweden was the most effective means of changing people's perception of a music festival (from negative to positive). The importance of generating goodwill for an event through the media is also a priority when local government has pledged its financial support to an event and needs positive feedback from the local community. In this case, communication with the community is almost entirely facilitated through media coverage.

3.5.1 Valuing Media Coverage

Carlsen *et al*. (2001) highlight frequent criticism of the Australian government by rival political parties and the media, who often claim that events have lost money and have had negative rather than positive impacts. By contrast, positive media coverage can certainly contribute to the success of an event, and there are a number of ways of evaluating this. Such evaluation will help the event planner to understand the impact of media coverage and will provide data that can then be used for setting objectives in future event plans.
Perhaps the most commonly held view is that any story about an event in the media is free publicity and therefore promotes the event (Dwyer *et al.* 2001). The simplest way to evaluate this impact is to time the length of the report (if it is broadcast media) or to calculate the number of column inches (if the story appears in print). However, this of the story being covered and reaching the target audience.

3.5.2 How to Write A News or Press Release

A news release is sent to TV and radio stations, while press releases provide information for newspapers and magazines. It is very important to follow certain principles when sending information to the media. The event manager should research all of the specialist publications that are likely to feature events, and should consider their exact requirements and the main points of contact. The event team should be familiar with how a newsroom operates. A local radio station that broadcasts a news bulletin every hour usually employs only a handful of staff, so they are highly unlikely to answer phones minutes before the bulletin goes out on air. The newsroom is a busy, hectic place as deadlines approach, and, as ever, event managers should do everything in their power to make the journalists' lives easier. They should not pressurise editors to cover their stories, because in the media – in contrast to other business sectors – persistence usually does not pay off and it can create the

wrong impression. If the editorial team do not think a story should be covered, then that is the end of the road for that story – at least until the next opportunity to publicise it arises.
If an event manager manages to secure coverage on radio or television, obviously they should make every eff ort to comply with the broadcaster's wishes. For instance, if a radio statio wants to conduct an interview on its breakfast show and asks the event manager to be at the studio by 6 a.m., it would be unwise for the event manager to ask if this could be changed to 8 a.m. Attempting to dictate the schedule to a programme editor in this way will often result in the item being dropped altogether, meaning that the event manager loses precious free publicity as well as the opportunity to communicate information to key stakeholders.

3.5.3 Avoiding Problems with Press and News Releases

Compiling and sending out a press/news release is time consuming, so it is important to get it right. The following points should help the event manager to avoid some common mistakes when producing and distributing their releases.

3.5.3.1 An Advert Disguised as a Release

It is natural for an event manager to want to advertise their event in the media, especially if they believe they can do so for a fraction of the cost of buying conventional advertising space. Consequently, the news release is often seen as a way of gaining maximum publicity for very little outlay. However, editorial staff will immediately throw such obviously self-serving releases straight in the bin. The key to a successful release is to create a story that will be of interest to the publication's target audience while still containing a clear link to and information about the event itself.

3.5.3.2 Poorly Constructed Media Releases

Event managers sometimes send out releases that contain mistakes, miss the publication's or broadcaster's deadline, or lack key information. Journalists are busy people, and they always have alternative stories to cover, so they will not accept such sloppiness. Again, the release will go straight in the bin.

3.5.3.3 Contact Details Are Missing or Incorrect

Plenty of work usually goes into producing press and news releases, so it would be a terrible shame if all your eff ort succeeded in arousing the interest of an editorial team, only for them to be unable to get hold of you to follow up the story. Journalists work to tight deadlines, so if they cannot contact you easily and quickly, they will move on to something else.

3.5.3.4 The Story Has Been Used Elsewhere

In an attempt to gain maximum coverage, it is standard practice to send the release to as many media contacts as possible. However, it is important to remember that some major publications will not cover a story that has already featured in the pages of a rival.

3.5.3.5 Holding A Press Conference

A press conference enables the event planner to assemble important members of the press, television and newspapers and facilitates a two-way flow of information. Imagine all of the most important media people in one place, all fighting to ask the key question before relaying the answer back to their readers, listeners or viewers. They will generate interest in the event

and awareness levels will rise dramatically. It is a straightforward process and merely requires a venue that can comfortably accommodate all of the invited journalists, with a stage area for the event representatives.

However, you should not understimate the amount of time that will need to be devoted to organising such an event, nor the skills and time required to answer all of the journalists' questions at the conference itself. Also remember such conferences are not cheap for the media companies that agree to attend – they will have to dispatch camera crews, technicians and recording equipment, as well as their reporters – so it is vital not to waste their time with a poor presentation. If the ultimate goal is to persuade the general public that you are staging an important and professionally run event, then the first people you have to convince are the reporters. So you should only ever arrange a press conference when you have something important to say – something that cannot be communicated in a press release.

You must also be realistic and objective about the importance of your event before arranging a press conference. They are usually worthwhile only for big, significant events. The media are likely to attend only if they believe they are going to come away with a major news story that will be of interest to their readers and viewers – so holding a press conference simply to announce the dates of an annual festival, for instance, will generally be a waste of time.
In some cases, such as when an event has received negative publicity, the event team might be desperate to call a press conference to give their side of the story. But you should always remember that you can never force the media to attend, so the story you have to tell must be of interest to them, too.

Self-Assessment exercise

What do you think are the key developments in events media coverage in recent time?

3.6 Crisis Management for Event Managers

Crisis management (CM) planning begins with identifying crises – or 'known knowns' (Regester 2008; Horne 2007) – that might impact on an event. The next stage is to prepare a response, which will enable the event team to be ready for action should the worst happen. Crises will obviously be of interest to the media, and to other stakeholders, so the CM plan must contain key media outlets' contact details and draft press releases that, with some modifications, could be used immediately. These crisis communication plans will enable the event manager to 'deal with the media in a demanding situation' (Jefkins 1994: 52) and will hopefully prevent that 'demanding situation' from becoming a major controversy. If there is crowd disorder at a music festival, the event organisers should immediately inform the media that procedures are in place to deal with the situation and avoid injury to attendees. Of course, crowd disorder at a major festival is a great news story for the media, so they will not ignore it, but they cannot be allowed to think that it has occurred because of the organisers' negligence, as that could have disastrous consequences for the event owners. Feeding key information to the media might kill off the story before it has a chance to develop, and it also allows the event organisers to communicate with a wider audience to show that their event is professionally managed.

Regester (2008) suggests that an event organiser who reacts positively and decisively to a crisis situation might even be viewed in a more positive light once it is over. The message is quite simple for all event managers: make yourself accessible to the media and put your side

of the story, as this will reduce the risk of journalists going to other sources for their information.

Case Study 15.3 illustrates the problems encountered by the media in state-controlled countries like China, and how the Western media attempt to expose government interference in events. In the case study, while the Chinese government appears to be hiding any problems from the press, the Western press are doing everything in their power to highlight any weaknesses. The lessons for event managers are that they must be aware of political intervention and indeed must be conscious of the need of governments that host mega-events, like the Olympic Games, to run them successfully. There is usually some indication of potential issues prior to an event taking place, so event organisers should monitor press coverage carefully and identify any areas that might become problematic later.

4.0 CONCLUSIION

It is very important that you understand the role of media in events management. The entire unit explained in detailed, event and the media considering its relevance in the industry.

5.0 SUMMARY

The events industry is coming to terms with the importance of the media and the need to develop very strong relationships with media companies, but there is still a long way to go. The media thrive on the news stories that events present to them, which they need to keep their audiences entertained. Event managers and the media are entering a new area where greater emphasis is being placed on developing mutually beneficial relationships. The fragmentation of the media and the introduction of new media, such as Facebook- material and Twitter, also mean that the event manager has to work hard to understand the changing needs of the media, and to develop new skills for working with the media.

New television deals for leading sporting events are driving these events forward, and they now provide the largest revenue streams for many individual sports clubs. The case studies in this unit have shown how the media have been largely successful in developing top-quality events by providing income for those events in return for media coverage. Obviously, event managers need to keep abreast of current deals, and they should keep a careful eye on how they develop in the future.

The media's role is changing at a rapid rate, so event managers must be prepared to devote time, energy and money to developing their relationships with the press and broadcasters. They must have a good understanding of how publicity is generated, and must be able to calculate the value of the extra awareness that this creates. Finally, they should develop an appreciation of how media organisations work, which will enable them to send out the most appropriate information at the right time.

6.0 TUTOR-MARKED ASSIGNMENT

There are crowd problems at the entrance to your event and ten people have been injured and taken to hospital. Thankfully, they are not seriously injured, but the press have picked up on the story and they are trying to blame your organisation for the incident. Some journalists are suggesting that you could have done more to prevent the overcrowding and a rumour is circulating that excessive drinking might have exacerbated the problem. The reputation of your event is clearly at stake, and you need to show that you are a responsible event organiser.

Produce a 100-word report in the form of a press release to show that you took all possible steps to prevent the overcrowding and address all of the accusations that are being made against you.

7.0 REFERENCES / FURTHER READING

Getz, D., Andersson, T. and Larson, M. (2007) Festival Stakeholder Roles: Concepts and Case Studies, *Events Management*, 10: 103–122.

Horne, J. (2007) The Four 'Knowns' of Sports Mega-Events, *Leisure Studies*, 26 (1): 81–96.