Omnichannel & Digital Marketing

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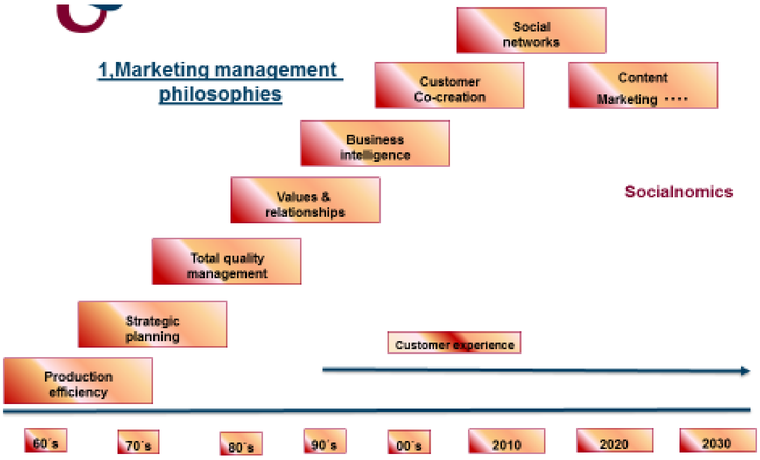
DIGITAL MARKETING

BOOK + LECTURES

Chapter 1: Introduction/framework internet marketing & e-commerce

1. Evolution towards a digital economy (exam!)

1. Marketing management philosophies



- **'60: Productefficiency**
  - Products just had to fulfill the needs
  - Marketing not fully developped
  - Products had to be better, faster, cheaper = efficient
  - Welfare, economic growth

- **'70: Strategic planning**
  - Economicly seen = very important period
  - Changes: no welfare anymore, political crisis, oil crisis
  - Western economies were hit → big companies couldn't handle it anymore, realised they had to do something, be better prepared for changes like this = they began to plan on the long term = anticipate with the environment
  - Foundations for strategic planning

- **'80: Total quality managegement**
  - Quality control
  - Japan did everything better, they dominate → frustrations

- **'90: Value and relationships**
  - They saw the light = evolutions = changes = maximize transactions → maximize relationships
  - It's all about delivering value to your customers
  - Exchanges of value
  - Building long-term relationships

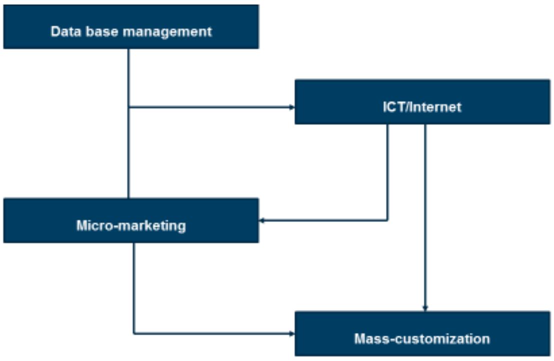
- **'00: Business Intelligence**
  - Digital improvements
  - Information overload → Knowledge of the company has to stay within the company = tacid knowledge
  - Information databases

- **2010: customer co-creatie**
  - Co-creation
  - <-> '80: client more active
  - Customer expierence: it's not about the subject of the transation, but the experience

- **2010-2020: Social Network**
  - User generated content → How to deal with all this content?
  - Blockchain
  - *Example:* Uber (case book), names on Coca-Cola,…

2. One-to-one marketing & many-to-many marketing

- **One-to-one marketing**



  - Definition
    → Companies use interactive technologies and databases to serve/satisfy 1 client at the time
    → Constantly trying to improve the relationships with the most valuable clients
    → Includes: dealing with complaints, finance, production, delivery,…

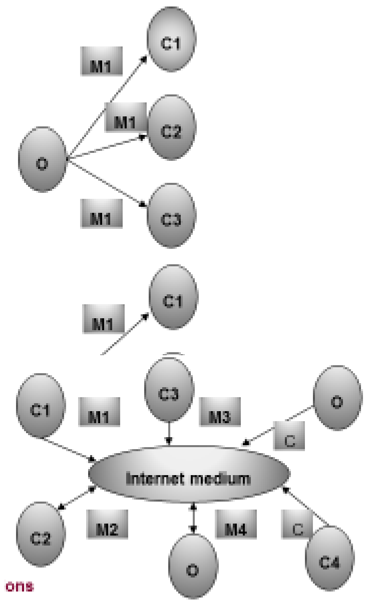
  - Micro-marketing = make profiles of your clients via social media info→ target audience smaller and smaller

  - Mass-customization: specific message to specific client <-> huge audience, general message

- **Many-to-many marketing**
  - One-to-many traditional massa communication
    1 message (M1) the same for everyone

  - One-to-one internetbased comunnication
    1 message for 1 client; personalised (internet, databases,…)

  - Many-to-many communications via internet
    Everyone together respnisble for the message



3. The emerging digital economy: implications

- **Balance between speed & knowledge**
  - The speed at which information is collected
  - "What do we have to do with all this information?" = make knowledge out of it
  - Companies can respond better/faster in the way of delivering new products, services,…

- **Globalization - global competition**
  - World = market

- **Virtual marketplaces & shorter product/service life cycles**
- **Networking and partnerships (intranet, extranet & internet)**
- **Mass customization opportunity**

- **Focus on business processes (efficiency !!)**
  - Intermediairs = deleted

- **New business models/roles in e-commerce**
  - Main strategic decissions = technology based
  - Relation with clients – companies: face-to-face → screen-to-face interaction
  - Value delivery for clients: via fysical goods → services, information, intelligence

4. New economics of information: richness & reach

- **Richness and reach: inverse relationship (traditional trade-off)**

  Classical assumption

  You want a rich message? You reach less people

  You want to reach a bigger group? Less rich message

- **Trade-off doesn't exist anymore thanks to…**
  - Accessibility
  - Entry barriers: less
  - Disintermediation
  - Buyer search costs
  - Mass customization
  - Relationship marketing

<u>2. E-commerce: evolution & definition</u>

- **"30-seconden revolutie e-commerce": first 20 years of e-commerce**
  - Just the beginning
  - Rapid growth and change

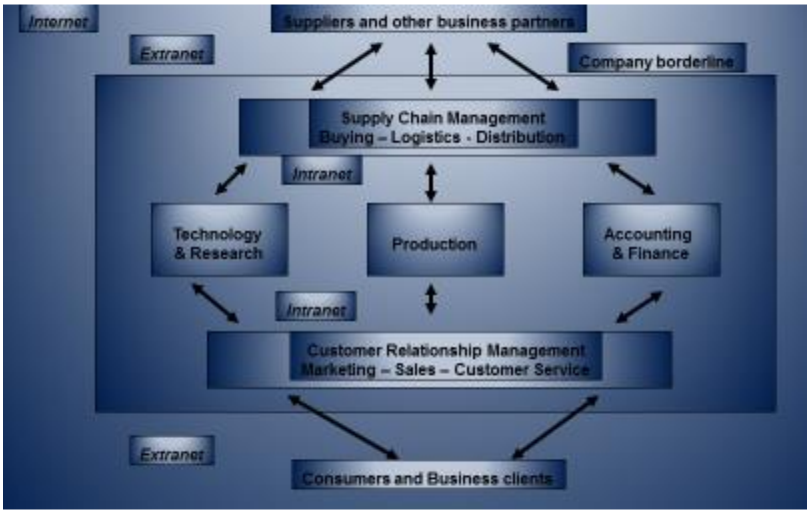
- **Technologies continue to evolve at exponential rates**
  - Disruptive business change: existing economies and business models destroy
  - New opportunities: creating new business models

- **Why study e-commerce**
  - Understand opportunities and risks
  - Analyze e-commerce ideas, models, issues

1. Defining E-commerce & E-business

- **Definition e-commerce**
  - The use of the Internet, Web, mobile apps and browsers running on mobile devices to transact business
  - Digitally enabled commercial transactions between and among organizations and individuals
  - Deel van e-business

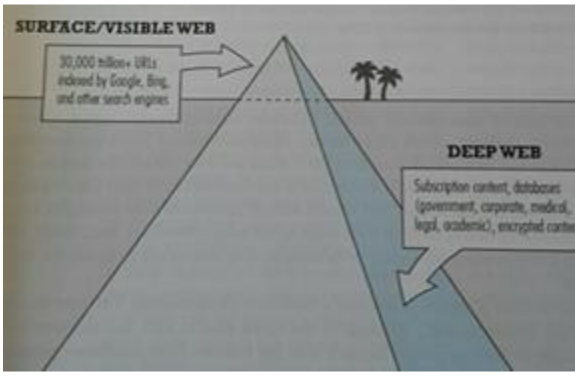
- **Definition e-business**
  - Involves the use of internet technology for the implementation of business processes, electronic commerce (i,e. E-commerce in the strict sense) and communication and cooperation within the company, between company & customer, supplier & other business partners
  - <u>E-business company</u>



- **Technological building blocks underlying e-commerce**
  - <u>Internet</u>
    Worldwide network of computer networks built on common standards

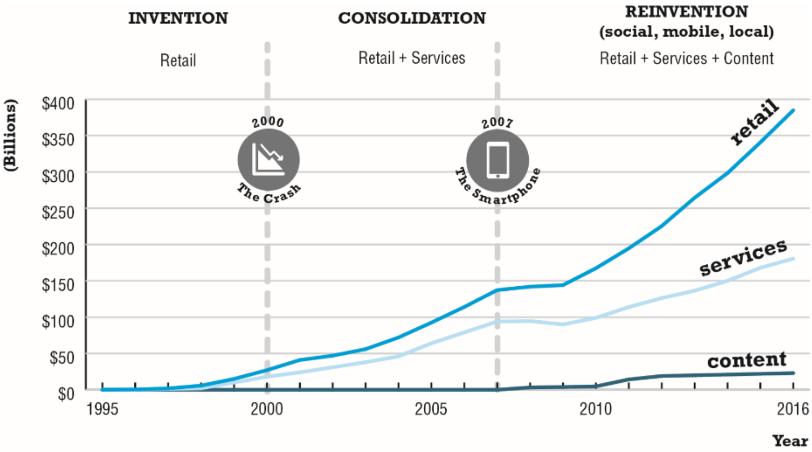
  - <u>World Wide Web</u>
    One of the Internet most popular services, providing access to billions of web pages
    Information system that runs on Internet infrastructure

    e.g. HTML (web pages are created in a language called HyperText Markup Language, can contain text, graphics,…)
    e.g. Deep Web (databases, content not indexed by search engines like Google) vs. "surface" Web



- Mobile platform
  Access the Internet from mobile devices

2. E-commerce : a brief history



1995–2000: Invention

- Period of explosive growth and innovation

- **E-commerce**
  - Selling of simple retail goods via Internet
  - No complex goods yet because of limited bandwidth and media

- **Marketing**
  - Simpele display ads
  - No powerful search engines
  - Companies had a simple website with brands on

- **Key concepts developed**
  - Most euphoric time in commerce history
  - Internet not controlled by anyone or any nation, but free (self-regulated)

- **Economic vision: nearly perfect competitive market**
  - Prices, costs, information equally divided
  - Infinity number of buyers and sellers

- Information transparancy

- **Euphoric visions of**
  - Friction-free commerce:
    - lowered search costs
    - disintermediation (displacement of intermediaries between producers and consumers by new direct relationship between producers and consumers)
    - price transparency
    - elimination of unfair competitive advantage

  - First-mover advantages:
    - firm that is first to market in a particular area and that moves quickly to gather market share
    - switching costs
    - use new technologies that the traditional companies don't use
    - network profits: occurs when users receive value from the fact that everyone else uses the same tool or product

- **Dot-com crash of 2000**

  A lot e-commerce companies disappeared

2001–2006: Consolidation

- **Emphasis on business-driven approach**
  - Technology driven → business-driven
  - Big traditional companies learned how the use the Web to improve their market position
  - Brand improvements and extensions (expand presence) instead of inventing new brand

- **Start-up financing shrinks**

- **More complex products and services sold**
  - Retail products → complexe services such as travel and financial services

- **Marketing:**
  - Growth of search engine advertising
  - Rich media and video ads
  - Behavioral targeting

- **Business Web presences expand**
  - Not only brand on their website, also e-mails, each product has its own website, feedback facilities,…

2007–Present: Reinvention

Invention smartphone

- **Rapid growth of:**
  - Web 2.0: set of applications and technologies that enable user-generated content such as online social networks, blogs, videos,…
  - Worldwide adoption of mobile devices (smartphones, tablet,…)

- Geo-social-based services marketing
  - → Users share their location with friends
  - → Used for check-in services like Swarm
- Location-based services marketing
  - → Provides services to consumers looking for local services and products
- Mobile-local social network marketing based on users' location
  - → FB expands local offerings of deals by local firms
  - → FB Marketplace: enables people to easily buy and sell within their local communities
- Proximity marketing
  - → Sends messages to consumers in area of store or outlet to generate sales using virtual fence around retail location
- In-store messaging
  - → Messaging consumers while entering or browsing in store
  - → Retailers collect, analyze, respond to consumers' real-time shopping behavior
- Location-based app messaging
  - → PayPal's mobile app detects customers near a store that offers PayPal payment options and entices them with offers to visit

- **Marketing Campaigns**
  - Location-based considerations
    - → More action-based than other forms (customers are in given location for short time, you want them to do something, it's now!), time-restrained offers and opportunities
    - → Consider target demographic for your campaign and products → location-aware mobile users tend to be younger, more educated, wealthier
    - → Strategic analysis of marketspaces (what are your competitors doing?)

  - <u>Measuring marketing results</u>
    - → Same measures as mobile and web marketing
    - → Metrics for unique characteristics, marketers hope consumers will take these actions immediately:
      - Inquire (informeren)
      - Reserve
      - Click-to-call
      - Friend
      - Purchase

Chapter 7: Online content & media

1. Insights into general trends

- **In online content & media**
  - Business:
    - Mobile platform accelerates the transition to digital content
    - Distributors become significant players in content production business
      f. Ex. Netflix → now produce their own series
    - Continued growth of online video and music
    - E-book sales growth slows
    - Digital music sales > physical sales
    - Console games flatten as mobile games soar
    - Four Internet titans compete for ownership of online content ecosystem: Apple, Google, Amazon, and Facebook
  - Technology
    - Netflix the largest consumer of bandwidth (consumes most part of Internet traffic)
    - Cloud storage serves huge market for mobile device content f. Ex. Apple lauches iCloud video service that allows users to watch purchased videos on multiple Apple devices

  - Society
    - FCC (federal communications committee) issues new net neutrality rules that prohibit providers from blocking, slowing down, speeding up access to specific websites → to what extent consider Internet as a thing available for everyone? Allowing internet to be faster, slower according to what people pay for it? No → neutrality rules: everyone has same access to Internet
    - Time spent with digital media exceeds time spent with television

- **Internet and traditional media: cannibalization vs. complementarity**
  - Cannibalization: time spent on Internet reduces consumer time available for other media
    Does time on Internet reduce time spent with other media?

  - Complementarity: mutually supportive rather than substitutive
    → You can look at it in two ways

  - *Internet users*
    - → Spend relatively less time with traditional media
    - → Consume more media of all types than non-Internet users
    - → Often "multitask" with media consumption

=> Multimedia—reduces cannibalization impact for some visual, aural media
→ so especially complementarity

2. Digital Content Delivery: three revenue models

- **Subscription**
  - You pay a monthly fee
  - "All you can eat"
  - f. Ex. Netflix

- **A la carte**
  - Pay for what you use
  - f. Ex. Itunes: just pay for songs you want to stream

- **Advertising supported**
  - Uses advertising revenues to provide content for free, with usually a freemium option
  - "Free drives paid out of business." → WRONG
    = Free content can drive users to paid content ("Ready to pay for it")
    = Users are increasingly paying for high-quality, unique content
  - F. Ex.: Spotify

- **Free or fee**
  - Early years: Internet audience expected free content but willing to accept advertising
    → Logical: early content was low quality content
  - Since then: consumer behaviour and attitudes towards paying for content = changed
  - With advent of high-quality content: consumers more willing to pay for high-quality content delivered on convenient device such as smartphone, laptop,… using services like those offered by Netflix, Itunes,… → fee models became successful

3. Media Convergence can be described in terms of 3 dimensions (applied to content industry)

= there are at least three dimensions of media where the term convergence has been applied: technology, content and the industry's structure as a whole

→ Convergence: for the consumers, it means being able to get any content you want, when you want it, on whatever platform you want it

- **Technological convergence**
  - Development of hybrid devices that can combine functionality of two or more existing media platforms (such as books, newspapers, movies,…) into a single device
  - Whatever content you're having, you can have the content on several devices
  - F. Ex. iPad, iPhone,… combine telephone, print, music, photos and video in single device

- **Content convergence: convergence in design, production and distribution of content (3 levels)**
  - Design
    - → Artist are learning more about how to deliver content in new media
    - → Content convergence = content itself is transformed by new media as artists learn how to fully exploit capabilities in creation process → art is different because of new capabilities inherent to new tools
    - → F. Ex. European master painters of 15th century in Italy, France,… quickly adopted new optical devices such as lenses, mirrors,…early projectors (camera obscura) that could cast near-photographic quality images on canvases → in process: developed new theories of perspective and new techniques of painting landscapes and portraits => suddenly: painting took on qualities of precision, detail, realism
    - → Same process is occurring today as artists assimilate new digital and Internet tools into their toolkits
    - → f. Ex. Garageband from Apple: enables low-budget independent bands to mix and control eight different digital music tracks to produce professional sounding recordings on a low budget

- → f. Ex. Online newspapers → changing news cycle to 24 hour stream, producing their own video channel,…

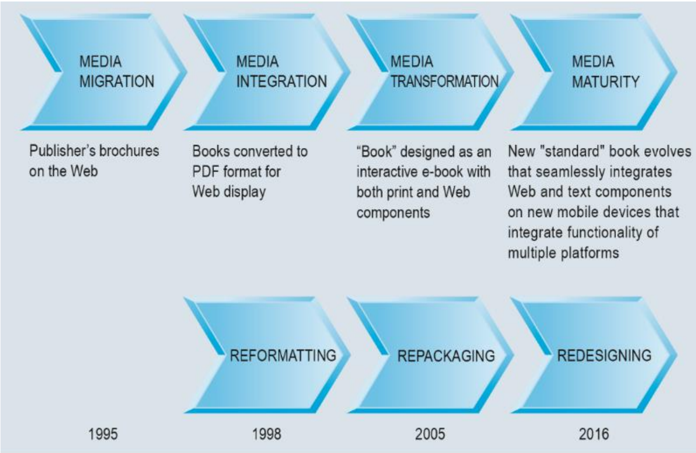
- Production
  - → Tools for digital editing and processing (for e.g. films and television) are driving content convergence
  - → Create content on digital services (hardware, software) so that it can be delivered on multiple digital platforms

- Distribution
  - → Distributors and consumers have the device to receive, store, and experience the product (to experience all types of different content)

- **Industry convergence**
  - Merger of media enterprises into powerful combinations that can cross-market content on different platforms and create new content that use multiple platforms
    → can take place through: purchases or strategic alliances
  - Traditionally: each type of media (film, music,…) had its own separate industry (composed with large players) → Internet: created forces that make mergers and partnerships necessary
    - → F. Ex. necessary to finance substantial changes in technology platforms and content
    - → Technology companies (Google, Apple, fb) → competency to dominate Internet BUT do not have the competencies needed to create content → partnerships are made to solve this

  - Dilemma: battle between Netflix, Amazon, Youtube
    - → Avoid merging with media companies, work instead with contractual arrangements with media companies = for their own advantage ↔ consumer's demand for content anywhere, anytime, on any device = pushes companies toward alliances
    - → BUT This pattern is changing (!!!): those who produce, those who distribute: this onderscheid is fading away: collaborate more and more
    - → F. Ex. Netflix: CBS is a content product producer who produces television shows for Netflix, but Netflix itself is producing their own original series as well

- **EXAMPLE: convergence and the Transformation of Content: Books**
  Evolution f. Ex. E-books
  - media migration: careful communication on books
  - media integration: books in PDF format
  - media transformation: books designed in more interactive way, functionalities you can use
  - redesigning: new standard book with couple of components: text components that can be downloaded, adds



4. Amazon and Apple: The New Digital Media Ecosystems

First to create ecosystems

Apple: introducing iPhone, iPad,… then launched app business → first apps that were available only could work on the devices of Apple

Amazon: introduced e-books → first e-books only worked on devices of Amazon

=> devices fit nicely with products/services they provide

- **Ecosystem = e-book hardware, software, combined with online megastores**
  - *Amazon Kindle:* allows users to download books from Kindle store, linked to Amazon store and cloud storage
  - *Apple iPad:* multipurpose tablet that could handle movies, music, magazines, books, Wi-Fi connection to Internet, linked to Apple stores
- **Result of their ecosystems**
  - Explosion in online book content, readership, authorship, marketing → knocked down traditional book publishing
  - Traditional process: authors worked with agents who sold book manuscripts to editors and publishers, sold books through bookstores,… → prices determined by publishers
  - New publishing model: authors still write books, but bypass traditional agent and publisher channels, instead: publish digital books sold on Amazon or Apple → prices determined by authors (most of time lower than traditional books)
    - → Frustrating for traditional authors who want to protect their intellectual property
    - → Intermediaries are taken out: you can't longer control the added values
- **DRM more effective for e-books than music industry**

Chapter 8: Social networks, auctions & portals

- *The power of social networks:*
  - Psy's 'Gagnam Style' -> één van de meeste bezochte filmpjes
  - Despacito (16 million hits on Youtube!)

- **What is online social network?**
  - Group of people
  - Shared social interaction (share all times of informations, opinions)
  - Common ties
  - Sharing an area for period of time

- **Social Activities**
  - … hear other's experiences
  - … learn more about brands/products
  - … compliment brands
  - … complain about brands/product

- **How did SNs change the customers? (link with guest lecture!)**
  Customers became different…
  - Empowered
    - → Perfect information: customers have more information then the company does
    - → Consumer generated
    - → Trustworthy
    - → Fast
  - Cosmopolitan
    - → Globally in touch
    - → Hyper fast learning
    - → Raising the bar of expectations
  - Emotional more engages
    - → Rational overload
    - → Herd behaviour
  - Smart co-creator
    - → Sharing feedback
    - → Walking in our shoes
    - → Concrete business outcomes

- **Turning social networks into businesses**
  - Social networks monetizing audiences through advertising
  - <u>Business use of social networks:</u>
    - → Marketing and branding tool: Facebook pages, "fans", Twitter feeds
    - → Listening tool: monitoring online reputation
    - → Collaboration tool
    - → Extension of CRMs

1. Types of Social Networks/communities and their business models (define and differentiate different types of communities)

- **General communities:**
  - Offer members opportunities to interact with general audience organized into general topics
    → within topics: members can find specific discussion groups attended by like-minded members who share an interest in that topic
  - Online social gathering place to meet and socialize with friends, share content, schedules and interests e.g. Facebook, Instagram
  - Business model: Advertising supported by selling ad space on pages and videos
  - E.g. FB Advertising:
    - → Ads: paid messages from businesses, written in their voice. They can include social information about friends
    - → Sponsored stories: messages from friends about ways they've engaged with a business. Businesses can pay to promote these stories so there's a better chance people see them.

- **Practice networks:**
  - Offer members focused discussion groups, help, information and knowledge related to area of shared practice
  - Social network of professionals and practitioners, creators of artifacts such as computer code or music
  - Business model: May be profit or nonprofit; rely on advertising or user donations
  - E. g. LinkedIn (business), Just Plain Folks (musician's community), Doximity (health care professionals)

- **Interest-based social networks:**
  - Offer members focused discussion groups based on shared interest in some specific subject (business careers, boats, horses,…)
  - Community built around a common interest such as games, music,…
  - E.g. Debatepolitics: political discussion group
  - Business model: Usually advertising supported and sponsorship deals

- **Affinity communities:**
  - Offer members focused discussion and interaction with other people who share same affinity (self or group identification)
  - Community of member who self-identify with demographic or geographic category such as women, African Americans
  - E.g. healthboards.com (focusing on women's health issues)
  - E.g. people can self-identify themselves on basis of religion, ethnicity,…
  - Business model: Advertising and revenues from sales of products

- **Sponsored communities:**
  - Created by government, nonprofit, or for-profit organizations for purpose of pursuing organizational goals
  - Networks created by commercial, government, non-profit organizations for variety of purposes
  - Goals can be diverse: increasing information available to citizens (e.g. local country government site), online auction site, product site,…
  - E.g. Nike

- Way of sharing knowledge

2. Auctions and Dynamic pricing

- **Online auctions**
  - Auction site = used throughout e-commerce landscape, ways of allocating resources among independent agents (bidders)
    → generalist approach: any good can be found for sale (e.g. Ebay; market leader in consumer-to-consumer auctions)
    → specialized: unique collectible products (stamps, coins)

- **Types of auctions**
  - Consumer-to-consumer (C2C) auctions
    Auction house is intermediary market maker, providing forum where buyers and sellers can discover prices and trade
    → Online auction sites are among the most popular C2C sites on the Internet
    → Market leader Ebay

  - Business-to-consumer (B2B) auctions
    Business sells goods it owns or controls using dynamic pricing to establish price
    → increasingly: established portals and online retail sites add auctions to their sites

- **Typical characteristics of online auctions: Dynamic Pricing**
  - Prices based on demand characteristics of customer and supply situation of seller
  - E.g.: Airline tickets

- **Benefits of Auctions**
  - Liquidity
    - → Sellers can find willing buyers and buyers can find sellers
    - → Sellers and buyers can be located everywhere around globe
    - → Find market for rare items that would have not existed before Internet

  - Price discovery
    - → Buyers and sellers can quickly and efficiently develop prices for items difficult to estimate such as prices depending on demand and supply, product is rare

  - Price transparency
    - → Public Internet auctions allow everyone in world to see asking and bidding prices for items

  - Market efficiency
    - → Auctions can lead to reduced prices -> reduced profits for merchants -> increase in consumer welfare
    - → Consumer welfare = measure of market effiency

  - Lower transactions costs
    - → Online auctions can lower cost of selling and purchasing products, benefiting both merchants and consumers
    - → Internet markets have very low transaction cost

- Consumer aggregations
  - → The more sellers and buyers you can bring together → more products can be sold
  - → Sellers benefit from large auction sites' ability to aggregate large number of consumers motivated to purchase something in one marketplace

- Network effects
  - → The lager an auction site becomes in terms of visitors and products for sale → more valuable it becomes as marketplace for everyone by providing benefits mentioned above

▪ **Risks and Costs of Auctions for Consumers and Businesses**

= risks involved in participating in auctions

- Delayed consumption costs
  - → Distribution cost, shipping cost
  - → Internet auctions can go on for days and shipping will take additional time

- Monitoring costs
  - → Participation in auctions requires your time to monitor bidding
  - → *Possible solutions include* (minder risico proberen te krijgen):
    - Fixed pricing: not dynamic
    - Rating systems: reviewer comments
    - Buy it know button: don't want to wait anymore till bidding process is over (but then you have to pay premium price)
- Trust risks
  - → Significant source of Internet fraud
  - → Using auctions increases risk of experiencing loss
  - → *Possible solutions include:*

    Rating systems = previous customers rate sellers based on overall experience with them

- Fulfillment costs
  - → Buyer pays fulfillment costs of packing, shipping, distributing,… before product is with him
  - → In physical store: these costs included in retail price

▪ **Auctions as e-commerce business model: market-maker benefits**
- No inventory
- No fulfillment activities: need no warehouses, shipping or logistical facilities → sellers provide these services and bear these costs
- E. g.: eBay makes money from every stage in auction cycle
  - → Transaction fees based on amount of sale
  - → Listing fees for display of goods
  - → Financial services fees from payment systems such as paypal
  - → Advertising or placement fees

▪ **When Auction Markets Fail: Fraud and Abuse in Auctions**

Markets fail to produce socially desirable outcomes in four situations:

- Information asymmetry
- Monopoly power

- Public goods
- Externalities

- **Behaviour**
  - Consumers not only driven by value maximization, also influenced by situational factors, irrelevant and wrong information when making market decisions
  - Auctions are social event (shared social environments) in which bidders adjust to one another → base bids on what others previously bid → can lead to cascading effects
  - Herd behavior: tendency to gravitate towards and bid for auction listings with one or more existing bids → results in consumers paying higher prices than necessary for no reason

  - Winner's regret: winner's feeling after an auction that he or she paid too much for an item
  - Seller's lament: concern that one will never know how much winner might have paid, or true value to final winners
  - Loser's lament: feeling of having been too cheap in bidding and failing to win

3. E-commerce portals

- **What?**
  - Most frequently visited sites on Web e.g. Yahoo, MSN,..
  - Gateways to web pages available on Internet
  - Original portals were search engines → now: more complex websites that provide news, entertainment, images,… (today: more sticky destination site, not only gateway through which visitors pass)
  - As search sites, attracted huge audiences

- **Definition of portal sites nowadays: sites that provide following four functions**
  - Navigation of the Web: help people find information they are looking for on Web
  - Commerce: expose people to information they were not looking for but which they nonetheless may find interesting → sale of items directly from website + advertising for other sites
  - Content: news, weather, investment, games,… (own) ; distribution of others' content
  - Communications: email, chat,…

- Portals compete with one another on reach and unique visitors

- Example: Enterprise portals
  = Help employees find important organizational content such as HR information, corporate news
  e.g. university has portal through which you can register for courses, find classroom assignments,…

1. Types of portals (!!)

- **General purpose portals (horizontal portals):**
  - Attempt to attract very large general audience
  - Then retain audience on-site by providing in-depth vertical content channels such as information on news, finance, autos,…
  - Typically offer search engines, personal home pages, chat rooms,…
  - Broad range of topics and content
  - Example: Yahoo, MSN

- **Vertical market portals:**
  - Attempt to attract highly-focused, loyal audiences with specific, deep interest in:
    - → Community content (affinity group): for example, iVillage
    - → Specialized content: zoom in in specific area (sports, weather,…)
  - Example: Facebook -> home page for millions of users and gateway to Internet -> affinity group portal = based on friendship among people

2. Portal Business Models

- **General advertising revenue**
  - Charging for impressions delivered

- **Tenancy deals**
  - Fixed charge for guaranteed number of impressions, exclusive partnerships, “sole providers”

- **Commissions on sales**
  - Revenue based on sales at site by independent providers

- **Subscription fees**
  - Charging for premium content

- **Applications and games**
  - Games and apps are sold to users, advertising placed within apps