

# ***Marketing in the Digital Age***

## **Chapter 18**

# Learning Goals

- 1. Be able to identify the major forces shaping the new digital age.**
- 2. Understand how companies have responded to the Internet with e-business strategies.**
- 3. Be able to describe the four major e-commerce domains.**
- 4. Understand how companies use e-commerce to profitably deliver greater value to customers.**
- 5. Realize the promise and challenges that e-commerce presents for the future.**

# Case Study

## Amazon.com

- Started in July 1995 selling books
  - One of the best known names on the Web
  - Profitability has been a challenge
  - Customer-driven company which strives to design the best customer experience on the Web
- The first to use collaborative filtering technology for customer recommendations
  - With its slow earning, can its business model make it the Wal-Mart of the Web?

# Major Forces Shaping the Digital Age

## Digitalization and Connectivity

- The flow of digital information requires connectivity
  - Intranets, Extranets, and the Internet

## The Internet Explosion

- Key driver of the digital age
- Using the Web to find information on major life decisions

# Major Forces Shaping the Digital Age

## New Types of Intermediaries

- The click-and-mortar business model has been highly successful

## Customization

- Firms are individualizing their products, services, messages and media
- True customization is when a consumer designs their own offering or product

# Marketing Strategy in the Digital Age

## **E-business:**

- **Uses electronic means and platforms to conduct business.**

## **E-commerce:**

- **Buying and selling processes supported by electronic means.**

# Marketing Strategy in the Digital Age

## **E-marketing:**

- **Includes efforts that inform, communicate, promote, and sell products and services over the Internet.**

**E-commerce benefits both buyers and sellers**

# Marketing Strategy in the Digital Age

## Buyer Benefits of E-Commerce:

- **Convenience**
- **Easy and private**
- **Greater product access/selection**
- **Access to comparative information**
- **Interactive and immediate**



# Marketing Strategy in the Digital Age

## **Seller Benefits of E-Commerce:**

- **Relationship building**
- **Reduced costs**
- **Increased speed and efficiency**
- **Flexibility**
- **Global access, global reach**

# E-Commerce Domains

## E-Marketing Domains

	Targeted to consumers	Targeted to businesses
Initiated by businesses	<b><i>B2C</i></b>	<b><i>B2B</i></b>
Initiated by consumers	<b><i>C2C</i></b>	<b><i>C2B</i></b>

# E-Commerce Domains

## Major Domains

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***B2C***

***B2B***

***C2C***

***C2B***

### Online consumers

- **Now more mainstream and diverse**
  - Has created new e-commerce targeting opportunities
  - Online behavior differs by age
- **Online consumers differ from traditional off-line consumers**
  - They initiate and control the exchange process
  - Value information highly

# E-Commerce Domains

## Major Domains

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*B2C*

***B2B***

*C2C*

*C2B*

### **B2B sales far exceed B2C sales**

- B2B sales are estimated to reach \$4 trillion in 2005

### **Open trading networks**

- E-marketspace bringing sellers and buyers together

### **Private trading networks**

- Links sellers with their own trading partners

# E-Commerce Domains

## Major Domains

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*B2C*

*B2B*

***C2C***

*C2B*

**C2C web sites help consumers exchange goods or information**

- eBay is one example

**Blogs**

- Allows interchanges of information for special interest groups
- Highly credible for advertisers

# E-Commerce Domains

## Major Domains

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*B2C*

*B2B*

*C2C*

*C2B*

Allow consumers to search out sellers, learn about offers, initiate purchase, or dictate purchase terms

- Ex: Priceline.com

Some sites facilitate the feedback process between customers and companies

- Ex: Planetfeed.com

# Conducting E-Commerce

## Click-Only-Competitors

- E-tailers, search engines and portals, ISPs, transaction sites, some content sites, enabler sites

## Dot.coms failed for many reasons

- Lack of planning and research
- Did not develop marketing strategies and spent lavishly off-line on mass marketing
- Overemphasis on acquisition vs. retention
- Low margins

# Conducting E-Commerce

## Click-and-Mortar Companies

- **Channel conflict was initially a concern**
- **E-commerce often created new customers, rather than cannibalizing existing ones**
- **Many firms now enjoy greater success than their click-only competition**
  - **Trusted brand names, greater financial resources, larger customer base, industry knowledge, and strong supplier relationships were key advantages**



# Setting up for E-Marketing

## Options

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*Creating websites*

*Placing online ads and promotions*

*Creating or using Web communities*

*Using E-mail*

### Corporate websites

- Build goodwill and relationships; generate excitement

### Marketing websites

- Engage consumers and attempt to influence purchase

### Website design

- 7 C's of effective website design

# Conducting E-Commerce

## Seven C's of Website Design

**Context**

**Communication**

**Content**

**Connection**

**Community**

**Commerce**

**Customization**

# Setting up for E-Marketing

## Options

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*Creating websites*

*Placing online ads  
and promotions*

*Creating or using  
Web communities*

*Using E-mail*

### Online forms of ads and promotions

- **Banner ads/tickers**
- **Skyscrapers**
- **Interstitials**
- **Content sponsorships**
- **Microsites**
- **Viral marketing**

### Future of online ads

# Setting up for E-Marketing

## Options

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*Creating websites*

*Placing online ads and promotions*

*Creating or using Web communities*

*Using E-mail*

**Web communities allow members with special interests to exchange views**

- **Social communities**
- **Work-related communities**

**Marketers find well-defined demographics and shared interests useful when marketing**

# Setting up for E-Marketing

## Options

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*Creating websites*

*Placing online ads and promotions*

*Creating or using Web communities*

*Using E-mail*

## E-mail marketing

- **Key tool for B2B and B2C marketing**
- **Clutter is a problem**
- **Enriched forms of e-mail attempt to break through clutter**
- **Spam is a problem**

# Promise and Challenges of E-Commerce

## The Promise of E-Commerce

- **Online marketing will become a successful business model for some companies**
- **The question is “how,” not “whether,” to deploy Internet technology**
- **The Internet should be used as one approach or tool in the fully integrated marketing mix**

# Promise and Challenges of E-Commerce

## Challenges: The Web's Darker Side

- **Few B2C companies are profitable**
  - Limited exposure, skewed demographics
  - Navigating the Web is often problematic

## Challenge: Legal and Ethical Issues

- **Online privacy and security concerns**
- **Internet fraud, the digital divide, access by vulnerable or unauthorized groups**