

***Marketing in the
Digital Age: Making
New Customer
Connections***

Chapter 3

Objectives

- Be able to identify the major forces shaping the new digital age.
- Understand how companies have responded to the Internet with e-business strategies.
- Be able to describe the four major e-commerce domains.

Objectives

- Understand how companies use e-commerce to profitably deliver greater value to customers.
- Realize the promise and challenges that e-commerce presents for the future.

Case Study

Charles Schwab

- Invented discount brokerage category
- First U.S. major player to go online
- Initially offered two-tiered trading system to protect profits / stop cannibalization
- Later became first true click-and-mortar full-service brokerage
- Now world's largest e-commerce site
- 85% online trades; 21% of trade volume; Strong stock return

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 “new economy”

Major Forces Shaping the Digital Age

- **New Types of Intermediaries**
 - Brick-and-mortar firms often face disintermediation from click-only competitors
 - The click-and-mortar business model has been highly successful
- **Customization and Customerization**

Marketing Strategy in the Digital Age

- **E-business:**
 - uses electronic means and platforms to conduct business.
- **E-commerce:**
 - facilitates the sale of products and services 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	<i>B2C</i>	<i>B2B</i>
Initiated by consumers	<i>C2C</i>	<i>C2B</i>

E-Commerce Domains

Major Domains

- **B2C**
- B2B
- C2C
- C2B

- **Online consumers**
 - Now more mainstream and diverse
 - ❖ *Has created new 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

- *B2C*
 - *B2B*
 - *C2C*
 - *C2B*
- **B2B sales far exceed B2C sales**
 - B2B sales are estimated to reach \$4.3 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

- B2C
- B2B
- C2C
- C2B

- C2C web sites help consumers exchange goods or information
 - eBay is one example
- Auction sites facilitate the exchange process
 - Allow access to a much larger audience
- Newsgroups / forums
 - Help consumers to find and share information

E-Commerce Domains

Major Domains

- *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, enabler sites
- **Dot.coms failed for many reasons**
 - Lack of planning and research
 - Over emphasis on acquisition vs. retention
 - Poor web site design / distribution systems
 - 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*

Conducting E-Commerce

E-Marketing

- **Creating web sites**
 - *Placing online ads and promotions*
 - *Creating or using web communities*
 - *Using E-mail and webcasting*
- **Corporate web sites**
 - Build goodwill and relationships; generate excitement
 - **Marketing web sites**
 - Engage consumers and attempt to influence purchase
 - **Web site design**
 - 7 Cs of effective web site design

Conducting E-Commerce

Seven C's of Web Site Design

- Context
- Content
- Community
- Communication
- Connection
- Commerce
- Customization

Conducting E-Commerce

E-Marketing

- *Creating web sites*
 - *Placing online ads and promotions*
 - *Creating or using web communities*
 - *Using E-mail and webcasting*
- **Online forms of ads and promotions**
 - Banner ads/tickers
 - Skyscrapers
 - Interstitials
 - Browser ads
 - Content sponsorships
 - Microsites
 - Viral marketing
 - **Future of online ads**

Conducting E-Commerce

E-Marketing

- *Creating web sites*
 - *Placing on-line ads and promotions*
 - *Creating or using web communities*
 - *Using E-mail and webcasting*
- **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**

Conducting E-Commerce

E-Marketing

- *Creating web sites*
- *Placing on-line ads and promotions*
- *Creating or using web communities*
- ***Using E-mail and webcasting***

- **E-mail marketing**
 - Key tool for B2B and B2C marketing
 - Clutter is a problem
 - Enriched forms of e-mail attempt to break through clutter
- **Webcasting**
 - Auto downloading of customized content to recipients' PCs

Promise and Challenges of E-Commerce

- **The Promise of E-Commerce**
 - The future of B2B E-commerce is bright
 - A few click-only companies may succeed
 - Most companies will integrate online marketing into the 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