



Seventh Edition

DIGITAL MARKETING

STRATEGY, IMPLEMENTATION AND PRACTICE

Dave Chaffey
Fiona Ellis-Chadwick



 Pearson

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- 5 From 'lean-back' to 'lean-forward'
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- 7 Increase in communications intermediaries
- 8 Integration
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Preface

Digital media and technology, an opportunity and threat

Digital marketing has transformed how businesses and other organisations communicate with their audiences. The 5Ds of digital marketing we introduce in [Chapter 1](#) (digital devices, digital platforms, digital media, digital data and digital technology) can be used, alongside traditional marketing techniques, to get closer to audiences than ever before. Consumers now have access to a much wider choice of entertainment, products, services and prices from different suppliers and a more convenient way to select and purchase items. Organisations have the opportunity to expand into new markets, offer new services, interact with audiences in new ways and compete on a more equal footing with larger businesses. Marketers working within these organisations have the opportunity to develop new skills and to use these new tools to improve the competitiveness of the company.

At the same time, the Internet and related digital technology platforms give rise to many threats to organisations. For example, online companies such as [ASOS.com](#) and Zalando (clothing), [Amazon.com](#) (books and retail), iTunes and Spotify (music) and [Booking.com](#) and Expedia (travel) have captured a significant part of their market and struck fear into the existing players. Many consumers now regularly use social networks such as Facebook, Instagram, LinkedIn, Snapchat and Twitter as part of their daily lives, with the majority of access via smartphones. Engaging these consumers is an ongoing challenge but, as we will see, companies like those above have taken advantage of these opportunities to interact with customers and this has helped them develop as worldwide brands.

Management of digital marketing

With the success stories of companies capturing market share following the rapidly increasing adoption of the Internet by consumers and business buyers, it is a prerequisite that all organisations must have an effective online presence to prosper, or possibly even survive! What Michael Porter said in 2001 is still valid today:

The key question is not whether to deploy Internet technology – companies have no choice if they want to stay competitive – but how to deploy it.

What are the marketing communications techniques that businesses need to master to make effective use of digital marketing? The proliferation of new media channels, digital technologies and interaction options has given a challenge of understanding, prioritising and managing many new digital communications techniques. To help summarise these at a top level of the customer lifecycle or classic marketing funnel, Chaffey (2010) defined the RACE planning framework shown in [Table P.1](#). RACE planning defines a structure of $5 \times 5 = 25$ key digital marketing techniques that need to be harnessed in most organisations to fully exploit digital marketing to reach, interact with, convert and engage online audiences across the customer lifecycle from generating awareness, conversion to sale (online and offline) and retention and growth of customers. RACE also emphasises the need to plan to create a coordinated, integrated approach to digital marketing, which is integrated with other communications activities.

Table P.1 The RACE planning framework for managing key activities for integrated digital marketing across the customer lifecycle

Plan	Reach	Act	Convert	Engage
Create a digital marketing strategy or transformation plan	Increase awareness, drive website, mobile and social media visits	Generate interactions and leads	Achieve sales online or offline	Encourage customer loyalty and advocacy
1.1 Situation review	2.1 Media effectiveness	3.1 Customer	4.1 Retargeting (Chapter 9)	5.1 Customer

(Chapters 2 and 3)	review (Chapters 8 and 10)	journey effectiveness (Chapter 7)		onboarding (Chapters 6 and 7)
1.2 Set vision and objectives, evaluate (Chapters 4 and 10)	2.2 Search marketing (Chapter 9)	3.2 Data profiling (Chapter 6)	4.2 Personalisation (Chapter 7)	5.2 Customer experience (Chapter 7)
1.3 Strategy (Chapters 4 – 8)	2.3 Earned and Owned media (Chapters 6 – 9)	3.3 Content marketing (Chapter 8)	4.3 Mobile experiences (Chapter 7)	5.3 Customer service (Chapter 7)
1.4 Segmentation (Chapters 4 and 6)	2.4 Paid media (Chapter 9)	3.4 Landing pages (Chapter 9)	4.4 Multichannel selling (Chapter 4)	5.4 Email marketing (Chapters 6 and 9)
1.5 Value Proposition and Brand (Chapters 4 and 5)	2.5 Acquisition plan (Chapters 8 and 9)	3.5 Content strategy and campaign plan (Chapter 8)	4.5 Conversion rate optimisation (Chapters 7 and 10)	5.5 Social media marketing (Chapters 6 and 9)

Smart Insights (2010) Introducing RACE: a practical framework to improve your digital marketing. Blog post by Dave Chaffey, 15 July 2010, smartinsights.com/digital-marketing-strategy/race-a-practical-framework-to-improve-your-digital-marketing

The table shows the range of different marketing activities or operating processes needed to support acquiring new customers through communicating with them on third-party websites and social media, attracting them to a company website, mobile app or social network and converting interest into leads and sales and then using online media to encourage further purchases and advocacy. You can see that applying social media and content marketing is a part of RACE that can be deployed to support many activities, and therefore is one of the key management challenges in digital marketing, so we consider approaches to managing social media marketing throughout the text, with a focus in Chapters 6, 8 and

9. Applying digital platforms as part of multichannel marketing to integrate customer journeys between traditional and ‘new’ media is also a major challenge and a theme throughout this text. Management processes related to governance of digital marketing include planning how digital marketing can be best resourced to contribute to the organisation and integrating with other marketing activities. The increased adoption of digital marketing also implies a significant programme of change that needs to be managed. New objectives need to be set, new communications strategies developed and staff developed through new responsibilities and skills.

Digital marketing – new skills required?

The aim of this text is to provide you with a comprehensive guide to the concepts, techniques and best practice to support all the digital marketing processes shown in Table P.1. This text (the structure of which is shown in Figure P.1) is based on emerging academic models together with best practice from leading adopters of digital media. The practical knowledge developed through reviewing these concepts and best practice is intended to enable graduates entering employment and marketing professionals to exploit the opportunities of digital marketing while minimising the risks.

Figure P.1 Structure of the text

**Part 1
INTRODUCTION**

Chapter 1
Introducing
Digital
marketing

Chapter 2
Online market
place analysis:
micro-environment

Chapter 3
Internet macro-
environment

**Part 2
STRATEGY**

Chapter 4
Digital
marketing
strategy

Chapter 5
The Internet
and the
marketing mix

Chapter 6
Relationship
marketing using
digital platforms

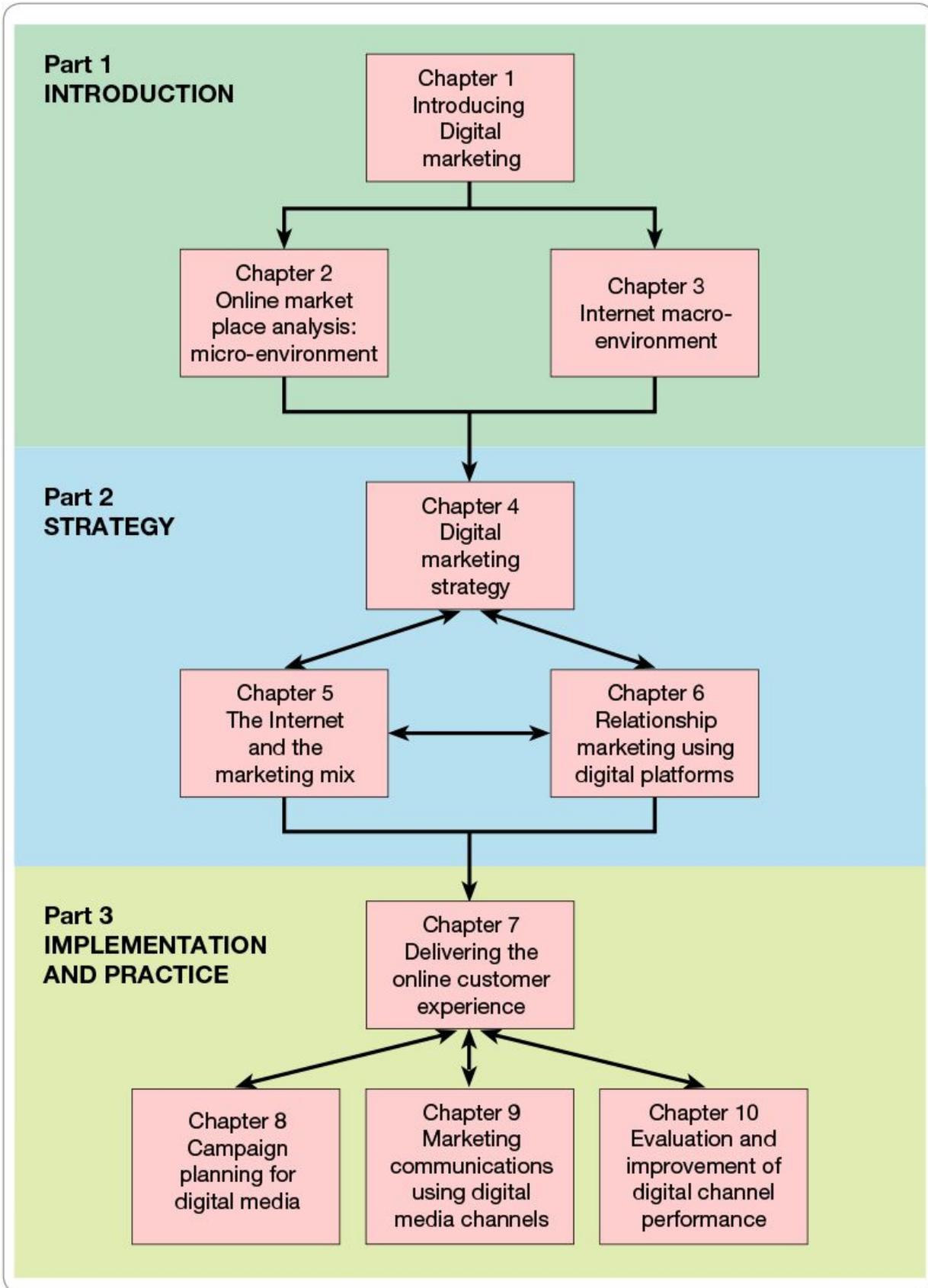
**Part 3
IMPLEMENTATION
AND PRACTICE**

Chapter 7
Delivering the
online customer
experience

Chapter 8
Campaign
planning for
digital media

Chapter 9
Marketing
communications
using digital
media channels

Chapter 10
Evaluation and
improvement of
digital channel
performance



Specifically, this text addresses the following needs:

- There is a need to know to what extent digital technology and media changes existing marketing models and whether new models and strategies can be applied to exploit the medium effectively.
- Marketing practitioners need practical digital marketing skills to market their products effectively. Knowledge of the new jargon – terms such as ‘marketing automation’, ‘click-through’, ‘cookie’, ‘uniques’ and ‘page impressions’ – and of effective methods of site design and promotion such as search engine marketing will be necessary, either for direct ‘hands-on’ development of a site or to enable communication with other staff or agencies that are implementing and maintaining the site.
- Given the rapidly changing market characteristics and best practices of digital marketing, web-based information sources are needed to update knowledge regularly. This text and the supporting companion website contain extensive links to websites to achieve this.

The text assumes some existing knowledge of marketing in the reader, perhaps developed through experience or by students studying introductory modules in marketing fundamentals, marketing communications or buyer behaviour. However, basic concepts of marketing, communications theory, buyer behaviour and the marketing mix are outlined.

Summary of changes for the seventh edition

The acclaimed structure of previous editions has been retained since this provides a clear sequence to the stages of strategy development and implementation that are required to plan successfully for digital marketing in existing and start-up companies.

The main changes made for the seventh edition, based on feedback from reviews and our close monitoring of the trends and latest developments are:

- **An Essential Digital Skills feature** has been added near the start of each chapter that recommends skills required by employers that are relevant to the chapter and practical ideas to boost employability by showcasing students’ interests and experiences.

- **Chapters 10 and 11 have been removed**, and examples of B2C and B2B marketing applications have now been integrated into the context of relevant chapters.
- **The ‘5Ds of managing digital marketing’** are introduced in [Chapter 1](#) to help summarise which digital marketing activities businesses need to manage to exploit the potential of digital marketing.

The main innovations included in the chapters are as follows.

Chapter 1 – Introducing digital marketing

- The 5Ds of digital marketing are added at the start to introduce the elements of digital marketing and customer interactions that need to be managed.
- New [Figure 1.1](#) is a customer lifecycle visual that gives examples of digital marketing touchpoints across different channels and platforms.
- The concept of digital disruption related to technologies such as the Internet of Things (IoT) and platforms is covered in this chapter.

Chapter 2 – Online marketplace analysis: micro-environment

- This chapter is updated to include the latest customer research tools and sources for students to use in their assignments.
- Case studies have been updated to include intelligent home assistants and multichannel examples.
- The consumer behaviour section is updated to include more reference to social media.

Chapter 3 – The digital macro-environment

- This chapter has been simplified and shortened.
- A new case study on social media and four new activities are now included.

Chapter 4 – Digital marketing strategy

- The concept and reasons for digital transformation programmes are explained.
- A new section, ‘Digital marketing insight 4.3’, has been added that covers consumer profiles and digital targeting options.
- The mnemonic VQVC has been introduced to test that businesses are using the right type of goals and measures.
- The chapter has been simplified and shortened.

Chapter 5 – Digital media and the marketing mix

- New examples have been introduced and the Spotify case study has been updated.
- This chapter has been simplified and updated.

Chapter 6 – Relationship marketing using digital platforms

- In line with reviewers’ comments, this chapter now focuses less on CRM and more on encouraging audience engagement using interactions on social media, mobile and marketing automations.
- There is an expanded section on strategy and practice for organic social media for customer loyalty, PR and advocacy, with the section on social media in [Chapter 8](#) limited to paid social media. [Chapter 6](#) has the main section on social media in the text as often social media is most effective for relationship marketing.
- The Big Data section has been extended and given more prominence to explain and give examples of marketing applications of Artificial Intelligence and Machine Learning.

Chapter 7 – Delivering the digital customer experience

- There is more emphasis on service quality and e-loyalty frameworks.
- More coverage has been added on mobile design and the requirements for mobile apps.

- Information is given on how to use content audits, to improve the effectiveness of content marketing.
- There is more on globalisation and localisation.
- The options for personalisation are explained through a personalisation pyramid.
- Two new mini cases, for Metro Bank and Jack Wills, have been added.
- New technologies are covered, which include IoT and machine interactions, AR and VR and connected devices.

Chapter 8 – Campaign planning for digital media

- The concept of media attribution for reviewing channel impact is assessed.
- The techniques of integration are expanded upon.
- This chapter has been simplified and updated.

Chapter 9 – Marketing communications using digital media channels

- The coverage of search engine marketing, influencer marketing and programmatic advertising is updated to reference latest best practices and tools – particularly those related to smartphones, e.g. Accelerated Mobile Pages.
- The dated section on Web 2.0 has been deleted and replaced by a section on approaches to influencer relationship management (IRM).
- New social media content and activities include an example of Facebook viral campaigns.

Chapter 10 – Evaluation and improvement of digital channel performance

- The concept of a marketing technology (martech) stack is explained and the challenges of selecting martech are explored.

Table P.2 In-depth case studies in *Digital Marketing*, 7th edition

Chapter	Case study	Themes
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1	Digital marketing fundamentals	eBay thrives in the global marketplace	Business and revenue model, proposition, competition, objectives and strategies, risk management
2	Micro-environment	Boo Hoo – learning from the largest European dot-com failure	Assessing a consumer market, business models, marketing communications
3	Macro-environment	Social media – do celebrities call the shots?	Companion vision, branding, target market, communicating the proposition, challenges and reasons for failure
4	Digital marketing strategy	ASOS shifts the focus of high-street retailing	Business models, proposition and online product range, target market strategy
5	Digital marketing mix	Spotify streaming develops new revenue models	Peer-to-peer services, revenue models, proposition design, strategy, competition, risk factors
6	Relationship marketing	Dell gets closer to its customers through its social media strategy	Influence of website design on conversion, retention marketing, personalisation, e-CRM, RFM analysis
7	Digital customer experience	Refining the online customer experience at i-to-i.com	Strategy, proposition, site design, on-site search capabilities
8	Campaign planning	Facebook – a titan of the digital age	Ad revenue models, privacy
9	Digital channel performance	Learning from Amazon’s culture of metrics	Strategy, measurement, online marketing communications, personalisation approach

The structure and content of this text

The text is divided into three parts, each covering a different aspect of how organisations use the Internet for marketing to help them achieve competitive advantage. [Table P.3](#) shows how the text is related to established marketing topics.

Part 1 Digital marketing fundamentals (Chapters 1–3)

[Part 1](#) relates the use of the Internet to traditional marketing theories and concepts, and questions the validity of existing models given the differences between the Internet and other media.

- [Chapter 1](#) *Introducing Digital marketing* considers using the Internet as part of customer-centric, multichannel marketing; it also reviews the relationship between Internet marketing, digital marketing, e-commerce and e-business, and the benefits the Internet can bring to adopters, and outlines differences from other media and briefly introduces the technology.
- [Chapter 2](#) *Online marketplace analysis: micro-environment* reviews how digital media and technology changes the immediate environment of an organisation, including the marketplace and channel structure. It describes the type of situation analysis needed to support digital strategy by examining how customers, competitors and intermediaries, and the interplay between them, can be evaluated.
- [Chapter 3](#) *The digital macro-environment* reviews the impact of social, technological, economic, political and legal environmental influences on digital strategy and its implementation. The emphasis is on privacy and data protection regulations and managing technology innovation.

Table P.3 Coverage of marketing topics in different chapters

Topic	1	2	3	4	5	6	7	8	9	10
Advertising								✓		✓
Branding				✓	✓	✓				✓
Consumer behaviour	✓	✓					✓	✓	✓	✓
Channel and market structure	✓	✓		✓						✓
Communications mix				✓				✓	✓	
Communications theory	✓							✓	✓	
Customer service quality						✓	✓	✓		
Direct marketing						✓		✓	✓	
International marketing		✓	✓	✓			✓			
Marketing mix		✓		✓	✓			✓		
Marketing research	✓	✓	✓							✓
Evaluation and measurement	✓			✓			✓	✓	✓	✓
Pricing strategy		✓		✓	✓					
Promotion	✓	✓		✓				✓	✓	
Public relations								✓	✓	
Relationship marketing						✓	✓			
Segmentation		✓		✓	✓	✓		✓		✓
Services marketing					✓		✓			
Strategy and planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Technology background	✓		✓						✓	✓

***Part 2 Digital marketing strategy development
(Chapters 4–6)***

Part 2 describes the emerging models for developing strategy and provides examples of the approaches companies have used to integrate the Internet into their marketing strategy.

- **Chapter 4** *Digital marketing strategy* considers how the digital strategy can be aligned with business and marketing strategies and describes a generic strategic approach with phases of situation review, goal setting, strategy formulation and resource allocation and monitoring.
- **Chapter 5** *Digital media and the marketing mix* assesses how the different elements of the marketing mix can be varied in the online environment as part of strategy formulation.
- **Chapter 6** *Relationship marketing using digital platforms* details strategies and tactics for using the Internet to build and sustain ‘one-to-one’ relationships with customers.

Part 3 Digital marketing: implementation and practice (Chapters 7–10)

Part 3 of the text explains practical approaches to implementing a digital marketing strategy. Techniques for communicating with customers, building relationships and facilitating electronic commerce are all reviewed in some detail. Knowledge of these practical techniques is essential for undergraduates on work placements involving a website, and for marketing managers who are dealing with suppliers such as design agencies.

- **Chapter 7** *Delivering the digital customer experience* explains how an online presence is developed to support branding and customer service quality objectives. The stages analysis of customer needs, design of the site structure and layout and creating the site are covered, together with key techniques such as user-centred design, usability and accessibility design. It also covers different service quality models used to assess experience.
- **Chapter 8** *Campaign planning for digital media* describes the novel characteristics of digital media, and then considers different aspects of marketing communications that are important for developing a successful online campaign.
- **Chapter 9** *Marketing communications using digital media channels* covers techniques such as banner advertising, affiliate networks,

promotion in search engines, co-branding and sponsorship, email, online PR, viral and word-of-mouth marketing with particular reference to social networks.

- **Chapter 10** *Evaluation and improvement of digital channel performance* reviews methods for assessing and improving the effectiveness of a site, and communications in delivering business and marketing benefits. The chapter briefly covers process and tools for updating sites.

Who should use this text?

Students

This text has been created primarily as the main student text for undergraduate and postgraduate students taking specialist marketing courses or modules that cover e-marketing, Internet and digital marketing, electronic commerce and e-business. The text is relevant to students who are:

- *undergraduates on business programmes* that include modules on the use of the Internet and e-commerce, including specialist degrees such as Internet marketing, electronic commerce, marketing, tourism and accounting or general business degrees such as business studies, business administration and business management;
- *undergraduate project students* who select this topic for final-year projects or dissertations – this text is an excellent supporting text for these students;
- *undergraduates completing a work placement* in a company using the Internet to promote its products;
- *students at college aiming for vocational qualifications*, such as an HNC or HND in Business Management or Computer Studies;
- *postgraduate students* taking specialist master's degrees in electronic commerce or Internet marketing, generic MBAs and courses leading to qualifications such as the Certificate in Management or Diploma in Digital Marketing or Management Studies that involve modules on electronic commerce and digital marketing.

Practitioners

Previous editions have been widely used by digital marketing practitioners including:

- *marketing managers or specialists such as e-commerce managers or digital marketing managers* responsible for defining digital marketing strategy and implementing and maintaining the company website;
- *senior managers and directors* wishing to understand the potential of digital marketing for a company and who need practical guidelines on how to exploit this potential;
- *technical project managers or webmasters* who may understand the technical details of building a site, but have a limited knowledge of marketing fundamentals and how to develop an Internet marketing strategy.

What does the text offer to lecturers teaching these courses?

The text is intended to be a comprehensive guide to all aspects of using the Internet and other digital media to support marketing. The text builds on existing marketing theories and concepts, and questions the validity of models in the light of the differences between the Internet and other media. The text references the emerging body of literature specific to Internet marketing. It can therefore be used across several modules. Lecturers will find the text has a good range of case studies, activities and exercises to support their teaching. Website links are given in the text and at the end of each chapter to provide important information sources for particular topics.

Student learning features

A range of features has been incorporated into this text to help the reader get the most out of it. Each feature has been designed to assist understanding, reinforce learning and help readers find information easily, particularly when completing assignments and preparing for exams. The features are described in the order in which you will find them in each chapter.

At the start of each chapter

The 'Chapter at a glance' page provides easy navigation for each chapter. It contains:

- **Main topics:** the main topics and their page numbers.
- **Case studies:** the main cases and their page numbers.
- **Learning objectives:** a list describing what readers can learn through reading the chapter and completing the exercises.
- **Questions for marketers:** explaining the relevance of the chapter for practitioners.
- **Links to other chapters:** a summary of related information in other chapters.

In each chapter

- **Definitions:** when significant terms are first introduced in the main text, there are succinct definitions of these terms in the margin for easy reference.
- **Web references:** where appropriate, web addresses are given to enable readers to obtain further information. They are provided in the main text where they are directly relevant as well as at the end of the chapter.
- **Essential digital skills:** practical ideas to boost employability by showcasing students' interests and experiences.
- **Case studies:** real-world examples of how companies are using the Internet for marketing. Questions at the end of each case study are intended to highlight the main learning points from the example.
- **Mini case studies:** short features that give a more detailed example, or explanation, than is practical in the main text. They do not contain supplementary questions.
- **Activities:** exercises that give readers the opportunity to practise and apply the techniques described in the main text.
- **Chapter summaries:** intended as revision aids to summarise the main learning points from the chapter.

At the end of each chapter

- **Self-assessment exercises:** short questions that will test understanding of terms and concepts described in the chapter.

- **Essay questions:** conventional essay questions.
- **Discussion questions:** these require longer essay-style answers discussing themes from the chapter. They can be used either as topics for individual essays or as the basis for seminar discussion.
- **Examination questions:** typical short-answer questions of the type that are encountered in exams. These can also be used for revision.
- **References:** these are references to books, articles or papers referred to within the chapter.
- **Weblinks:** these are significant sites that provide further information on the concepts and topics of the chapter. This list does not repeat all the website references given within the chapter, such as, for example, company sites. For clarity, the website address prefix ‘**http://**’ is generally omitted.

At the end of the text

- **Glossary:** comprehensive definitions of all key terms and phrases used within the main text.
- **Index:** all key words and abbreviations referred to in the main text.

Support material

Free supplementary materials are available at Dave Chaffey’s website at www.smartinsights.com/book-support to support all users of the text. This regularly updated website contains advice, comment, support materials and hyperlinks to reference sites relevant to the text. A companion website is also available for students and lecturers from the publisher at catalogue.pearsoned.co.uk/. There is: a password-protected area for lecturers only to discuss issues arising from using the text; additional examination-type questions and answers; a multiple-choice question bank with answers; additional cases with suggestions for discussion; and a downloadable version of the Lecturer’s Guide and OHP Masters.

Lecturers can also download an Instructor's Manual and supporting PowerPoint slides by going to www.pearsoned.co.uk/chaffey.

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About the authors



Dave Chaffey BSc, PhD, FCIM, FIDM

Dave is co-founder of Smart Insights (www.smartinsights.com), an online publisher and consultancy providing advice and alerts on best practice and industry developments for marketers, digital marketers and e-commerce managers. The advice is also created to help readers of Dave's books. The most relevant information is highlighted at www.smartinsights.com/book-support.

Dave also works as an independent digital marketing trainer and consultant. He has consulted on digital marketing and e-commerce strategy for companies of a range of sizes from larger organisations such as 3M, Barclaycard, HSBC, Mercedes-Benz, Nokia and The North Face to smaller organisations such as Arco, Confused.com, Eurooffice, Hornbill and i-to-i.

Dave's passion is educating students and marketers about latest and best practices in digital marketing, thus empowering businesses to improve their online performance through getting the most value from their web analytics and market insight. In other words, making the most of online opportunities and avoiding waste.

He is proud to have been recognised by the Department of Trade and Industry as one of the leading individuals who have provided input and influence on the development and growth of e-commerce and the Internet in the UK over the last ten years. Dave has also been recognised by the Chartered Institute of Marketing as one of 50 marketing ‘gurus’ worldwide who have helped shape the future of marketing. He is also proud to be an Honorary Fellow of the Chartered Institute of Marketing and Institute of Direct and Digital Marketing.

Dave has been a visiting lecturer on e-commerce courses at different universities including Birmingham, Cranfield, Derby, Manchester Metropolitan and Warwick Universities.

In total, Dave is author of five best-selling business books including *Digital Business and Ecommerce Management*, *Digital Marketing: Strategy, Implementation and Practice*, *eMarketing eXcellence* (with P.R. Smith) and *Total Email Marketing*. Many of these books have been published in new editions since 2000 and translations include Chinese, Dutch, German, Italian and Serbian.

When offline, Dave enjoys fell-running, indie guitar music and travelling with his family.



Fiona Ellis-Chadwick PhD, BSc, PGCE

Fiona Ellis-Chadwick has a successful professional business and academic career. She had a successful commercial career in retail management before

becoming an academic in 1998 and completing her PhD in 2000. Since then she has been working on projects aiming to advance research in the fields of digital marketing; online retail management and the digital high street. She is currently working with central, regional and local government authorities and leading technology and retail organisations on projects that aim to ensure the future sustainability of UK high streets.

Additionally, as part of her academic career, Fiona is a very active researcher and innovator who frequently leads the development of thought-provoking multi-media teaching materials, bringing together her knowledge of research and business. Fiona's work has been widely published in national and international journals, including *Journal of Business Research*, *European Journal of Marketing*, *International Journal of Retail Distribution and Management*, *Internet Research*, *Journal of Retailing and Consumer Services*.

Fiona is passionate about business research and education and creating value for society, having started her working career as a young entrepreneur building a retail business. She believes bringing management research to life is very important, especially in her current role as Director of Impact at The School of Business & Economics, Loughborough University.

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Part 1

Digital marketing fundamentals



Chapter 1 introduces the opportunities and challenges of digital marketing and explains the different types of digital marketing platforms and media channels available to engage audiences online. It also introduces a planning framework that can be used to structure digital marketing strategies and case studies. Chapters 2 and 3 provide a foundation for developing an integrated digital marketing strategy by reviewing how the online marketplace of an organisation can be assessed as part of situation analysis.

1 Introducing digital marketing

- Introduction – how has digital marketing transformed marketing?
- Definitions – what are digital marketing and multichannel marketing?

- Introduction to digital marketing strategy
- Introduction to digital marketing communications

2 Online marketplace analysis: micro-environment

- Situation analysis for digital marketing
- The digital marketing environment
- Understanding how customers interact with digital markets
- Consumer choice and digital influence
- Customer characteristics
- Competitors
- Suppliers
- New channel structures
- Digital business models for e-commerce

3 The digital macro-environment

- The rate of environment change
- Technological forces
- Economic forces
- Political forces
- Legal forces
- Social forces

Chapter 1

Introducing digital marketing

Chapter at a glance

Main topics

- Introduction – how has digital marketing transformed marketing?
- Definitions – what are digital marketing and multichannel marketing?
- Introduction to digital marketing strategy
- Introduction to digital marketing communications

Case study

Case study 1: eBay thrives in the global marketplace

Learning objectives

After reading this chapter, you should be able to:

- Explain the relevance of different types of digital platforms and digital media to marketing
- Evaluate the advantages and challenges of digital media
- Identify the key differences between customer communications for digital marketing and traditional marketing.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- What are the options for digital marketing to grow our business?
- What are the key benefits of digital marketing?
- What differences do digital media introduce compared to existing marketing communications models?

Links to other chapters

This chapter provides an introduction to digital marketing, and the concepts introduced are covered in more detail later in the book, as follows:

- Chapters 2 and 3 explain marketplace analysis for digital marketing planning and managing consumer concerns such as privacy.
- Chapters 4, 5 and 6 in Part 2 describe how digital marketing strategy can be developed.
- Chapters 7, 8 and 10 in Part 3 describe strategy implementation.

Introduction – how has digital marketing transformed marketing?

Digital media and technology are no longer new – indeed, it's now more than 25 years since Sir Tim Berners Lee created the World Wide Web. Yet, over this time we have seen huge developments in digital media and marketing technology to provide new ways for businesses to communicate across the customer lifecycle. Over 3 billion people around the world now regularly use online services to find products, entertainment, friends and romance, and consumer behaviour and the way companies market to both consumers and businesses have changed dramatically.

To understand the importance of digital marketing to the future of marketing in general, it's helpful to think about what audience interactions we need to understand and manage. Digital marketing today is about many more types of audience interaction than simply websites. It involves harnessing the following '5Ds of managing digital marketing interactions', for which we need to assess consumer adoption and how our business can manage them to support marketing goals:

- **Digital devices.** Our audiences interact with businesses using a combination of smartphones, tablets, laptops, desktop computers, TVs, gaming devices, virtual assistants (like Amazon Echo) and other connected devices forming the **Internet of Things (IoT)** (see Chapter 7).
- **Digital platforms.** Most interactions on these devices are through a browser or apps from the major 'platforms' or online services, e.g.

Facebook™ (and Instagram™), Google™ (and YouTube™), Twitter™, LinkedIn™, Apple™, Amazon™ and Microsoft™.

- **Digital media.** Different communications channels for reaching and engaging audiences are available, including advertising, email and messaging, search engines and social networks, which we'll introduce in this chapter.
- **Digital data.** The insight businesses collect about their audience profiles and their interactions with businesses now needs to be protected by law in most countries.
- **Digital technology.** This is the marketing technology – or martech (see [Chapter 10](#) for a categorisation) – that businesses use to create interactive experiences from websites and mobile apps to in-store kiosks and email campaigns.

Internet of Things (IoT)

A system of devices, software, objects, people or animals with unique identifiers that can transfer data over a network via machine-to-machine (M2M) interactions without human interaction.

[Figure 1.1](#), which outlines the customer lifecycle, shows the practical opportunities and challenges of managing digital marketing today. It shows some of the many ways available to communicate with prospects and customers across different touchpoints in the customer lifecycle, which we will introduce in this chapter and explain later in the book. It shows the importance of integrating communications, including paid, owned and earned media integrating with a web, mobile, email or in-store based experience.

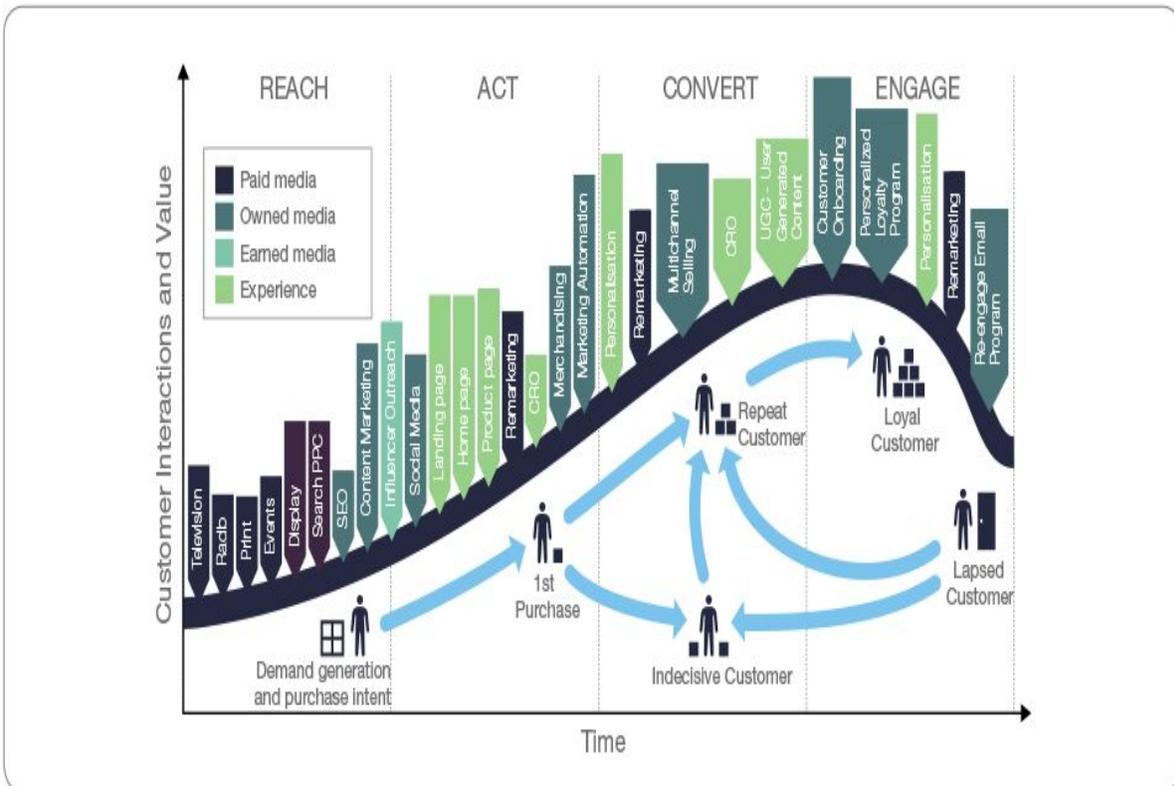
Within each of these activities there are many options for reaching and targeting audiences – for example, within social media there are paid and organic options across all the seven main social networks (Facebook, Instagram, LinkedIn, Snapchat™, Pinterest™, Twitter and YouTube).

The growth in digital communications is put into context by this trend analysis from Cisco (2017), showing how in the early days of the global Internet, traffic in a day was less than 100 Gigabytes (Gb), which today is the storage capacity of a smartphone:

- 1992: 100 GB per day
- 1997: 100 GB per hour

- 2002: 100 GB per second
- 2007: 2,000 GB per second
- 2016: 26,600 GB per second
- 2021: 105,800 GB per second.

Figure 1.1 Customer lifecycle marketing touchpoint summary for a retailer



Source: Smart Insights (2017)

How will this book help me?

To succeed in the future, organisations will need marketers, strategists and agencies with up-to-date knowledge of how to integrate each of these ‘5Ds of digital’ into their marketing communications with their audience and develop new strategies to compete. They also need to address socio-cultural consumer concerns including threats to their privacy, which are explored in [Activity 1.1](#).

The aim of *Digital Marketing* is to support students and professionals in gaining and developing this knowledge. In this text, we will show how traditional marketing models and concepts can be applied to help develop digital marketing strategies and plans and where new models are appropriate. We will also give many practical examples and best practices for applying the ‘5Ds’ to

effectively market an organisation's products and services using the Internet and other digital media.

The challenge for marketers is to assess which innovations or digital disruptors are most relevant to their organisation and to seek to gain advantage through introducing them to a company such that the digital marketing techniques integrate effectively with traditional marketing communications.

This text will take you through the questions to ask and potential solutions step by step to enable you to develop appropriate strategies. In this introductory chapter, after an initial scoping of digital marketing, we review two main aspects of managing digital marketing. In the first part of this chapter, we review the main strategic challenges and opportunities of digital marketing that must be managed by organisations. We then go on to introduce the communications techniques for promoting companies online through digital technology platforms such as desktop, tablet and smartphone devices (for example, search engine marketing (SEM), and social media and display advertising) using the unique characteristics of digital media.

Digital disruptors

Digital disruptors are innovations in digital media, data and marketing technology which enable a change to a new basis for competition in a market or across markets. Disruptors are also used to refer to startup or existing companies that, through their agility, are good examples of impacting competitors through disruption.

Activity 1.1: Balancing the growth in digital platforms against socio-cultural customer concerns

Purpose

To introduce some of the most important platforms used for digital marketing today; to illustrate innovation in online business models and communications approaches that need to be balanced against consumer concerns. **Table 1.1** shows the online brands that we believe have had the biggest influence on digital business models in the US and Europe.

Questions

1. Think about the innovations you have witnessed during the time you have used digital platforms. Which are the main sites used in your country that have changed the way you spend your time online?
2. What success factors and business models do these online brands share in common?
3. Which socio-cultural issues may concern consumers and require government legislation given the dominance of some of these platforms?

Table 1.1 Timeline of online services that have acted as digital disruptors due to innovation in business model or marketing communications approach

Year founded	Company/service	Category of innovation
1994	Amazon	Retailer
1995 (March)	Yahoo!™	Directory and portal
1995 (September)	eBay™	Online auction
1995 (December)	AltaVista™	Search engine
1996	Hotmail™	Web-based email Viral marketing (using email signatures to promote service) Purchased by Microsoft in 1997
1998	GoTo.Com Overture™	First pay-per-click search marketing Purchased by Yahoo! in 2003
1998	Google	Search engine
1999	Blogger™	Blog publishing platform Purchased by Google in 2003
1999	Alibaba™	B2B marketplace with \$1.7 billion IPO on Hong Kong stock exchange in 2007
1999	MySpace™	Social network Purchased by News Corp in 2005
2001	Wikipedia™	Open encyclopedia
2003	Skype™	Peer-to-peer Internet telephony VOIP – Voice Over Internet Protocol. Purchased by eBay and then Microsoft.

2003	Second Life®	Immersive virtual world
2003	LinkedIn	Professional social network. Purchased by Microsoft.
2004	Facebook	Social network which owns other social networks and messaging apps including Instagram and WhatsApp.
2005	YouTube	Video sharing and rating
2006	PayPal™	Paypal offers first mobile payment service
2007	iPhone® iOS and Android™	Apple launches the iPhone using the iOS operating system. In the same year Google unveiled its Android mobile operating system
2009	Airbnb™	An online marketplace enabling property owners to rent out their houses to consumers
2010	Uber™	Transportation and logistics company known for its taxi service, which operates in many major cities worldwide
2011	Snapchat	A mobile photo messaging service where images are deleted after a set number of seconds
2013	Apple iBeacon™ and CloudTags	iBeacon uses low-energy Bluetooth to notify shoppers of items of interest. Cloudtags gives shoppers in-depth information about products via tablets
2017	New connected devices	Google launched its Home voice-controlled devices joining Amazon Echo, Apple HomeKit devices and Microsoft Homehub
The Future	Digital innovations and	Innovation drives the digital economy and is set to continue into the future. Digital has become

business propositions	mainstream and although there are opportunities, displacing existing global incumbent platforms will be rare. For the latest developments see: www.thenextweb.com
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For the authors of this text, digital marketing is an exciting area to be involved with, since it poses many new opportunities and challenges yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communications approaches. Complete [Activity 1.1](#) or look at [Table 1.1](#) to see other examples of online startups showing the rate at which new innovations occur.

Definitions – what are digital marketing and multichannel marketing?

The use of **digital media**, data and technology to support marketing activities has given rise to a bewildering range of labels and jargon created by both academics and professionals. It has been called digital marketing, Internet marketing, e-marketing and web marketing. For the fifth edition we changed the title of this text from *Internet Marketing* to *Digital Marketing* since it shows the use of a range of digital platforms to interact with audiences. Of course, what is important within a company is not the term, but the activities that comprise digital marketing, which must be prioritised according to their relevance to the business. So, in this chapter we focus on introducing these different digital marketing activities.

Digital media

Communications are facilitated through content and interactive services delivered by different digital technology platforms including the Internet, web, mobile phone, TV and digital signage.

Digital marketing can be simply defined as:

Achieving marketing objectives through applying digital media, data and technology.

Digital marketing

The application of digital media, data and technology integrated with traditional communications to achieve marketing objectives.

This succinct definition helps remind us that it is the results delivered by technology that should determine investment in digital marketing, not the adoption of the technology!

In practice, digital marketing focuses on managing different forms of **online company presence**, such as company websites, mobile apps and social media company pages, integrated with online communications techniques introduced later in this chapter, including search engine marketing, social media marketing, online advertising, email marketing and partnership arrangements with other websites. These techniques are used to support the objectives of acquiring new customers and providing services to existing customers that help develop the customer relationship through **customer relationship management (CRM)**. However, for digital marketing to be successful there is still a need for integration of these techniques with traditional media such as print, TV, direct mail and human sales and support as part of multichannel marketing communications. [Mini case study 1.1](#) gives an example of integration between a mobile app and traditional media.

Online company presence

Different forms of online media controlled by a company including their website, blogs, email list and social media presences. Today, commonly known as ‘owned media’.

Customer relationship management (CRM)

Using digital communications technologies to maximise sales to existing customers and encourage continued usage of online services through techniques including a database, personalised web messaging, customer services, chatbots, email and social media marketing.

Mini case study 1.1: New Look creates augmented reality mobile app to enable interactions with new styles and offers

New Look's UAE team launched an augmented reality (AR) campaign that encouraged users to scan their New Look Student Card to reveal special offers and interactive features. This included being able to 'create their own look' by mixing and matching New Look products on their mobiles. With social integration built in, the fashion retailer created a buzz around their offering while also capturing a range of contextual data that was fed back into subsequent campaign activity. We explore the options for creating mobile websites and apps in [Chapter 7](#).

The role of digital platforms in supporting integrated **multichannel (omnichannel) marketing** is a recurring theme in this text, and in [Chapter 2](#) we explore its role in supporting different **customer journeys** through alternative communications and distribution channels. Online channels can also be managed to support the whole buying process from pre-sale to sale to post-sale and further development of customer relationships.

Multichannel (omnichannel) marketing

Customer communications and product distribution are supported by a combination of digital and traditional channels at different points in the buying cycle or 'path to purchase'. With the range of mobile and IoT touchpoints, some have expanded the term to omnichannel marketing.

Customer journeys and the customer lifecycle

The sequence of online and offline touchpoints a customer or buyer persona takes during a buying process or broader customer experience. Online this may include a range of digital platforms, communications media, websites, pages and engagement devices.

Paid, owned and earned media

To develop a sound digital strategy today involves understanding a more complex, more competitive buying environment than ever before, with customer journeys involving many different forms of online presence. To help develop a strategy to reach and influence potential customers online, it's commonplace to refer to three main types of media channels that marketers need to consider today ([Figure 1.2](#)):

1. **Paid media**. These are bought media where there is investment to pay for visitors, reach or conversions through search, display ad networks or affiliate marketing. Offline, traditional media such as print and TV

advertising and direct mail remain important for some brands such as consumer goods brands.

2. **Owned media.** This is media owned by the brand. Online this includes a company's own websites, blogs, email list, mobile apps or their social presence on Facebook, LinkedIn or Twitter. Offline owned media may include brochures or retail stores. It's useful to think of a company's own presence as media in the sense that they are an alternative investment to other media and they offer opportunities to promote products using similar ad or editorial formats to other media. It emphasises the need for all organisations to become multichannel publishers.
3. **Earned media.** Traditionally, earned media has been the name given to publicity generated through PR invested in targeting influencers to increase awareness about a brand. Now earned media also includes word of mouth that can be stimulated through viral and social media marketing, and conversations in social networks, blogs and other communities. It's useful to think of earned media as the sharing of engaging content developed through different types of partners such as publishers, bloggers and other influencers including customer advocates. Another way of thinking about earned media is as different forms of conversations between consumers and businesses occurring both online and offline.

Paid media

Also known as bought media, a direct payment occurs to a site owner or an ad network when they serve an ad, a sponsorship or pay for a click, lead or sale generated.

Owned media

Different forms of online media controlled by a company including their website, blogs, email list and social media presence.

Earned media

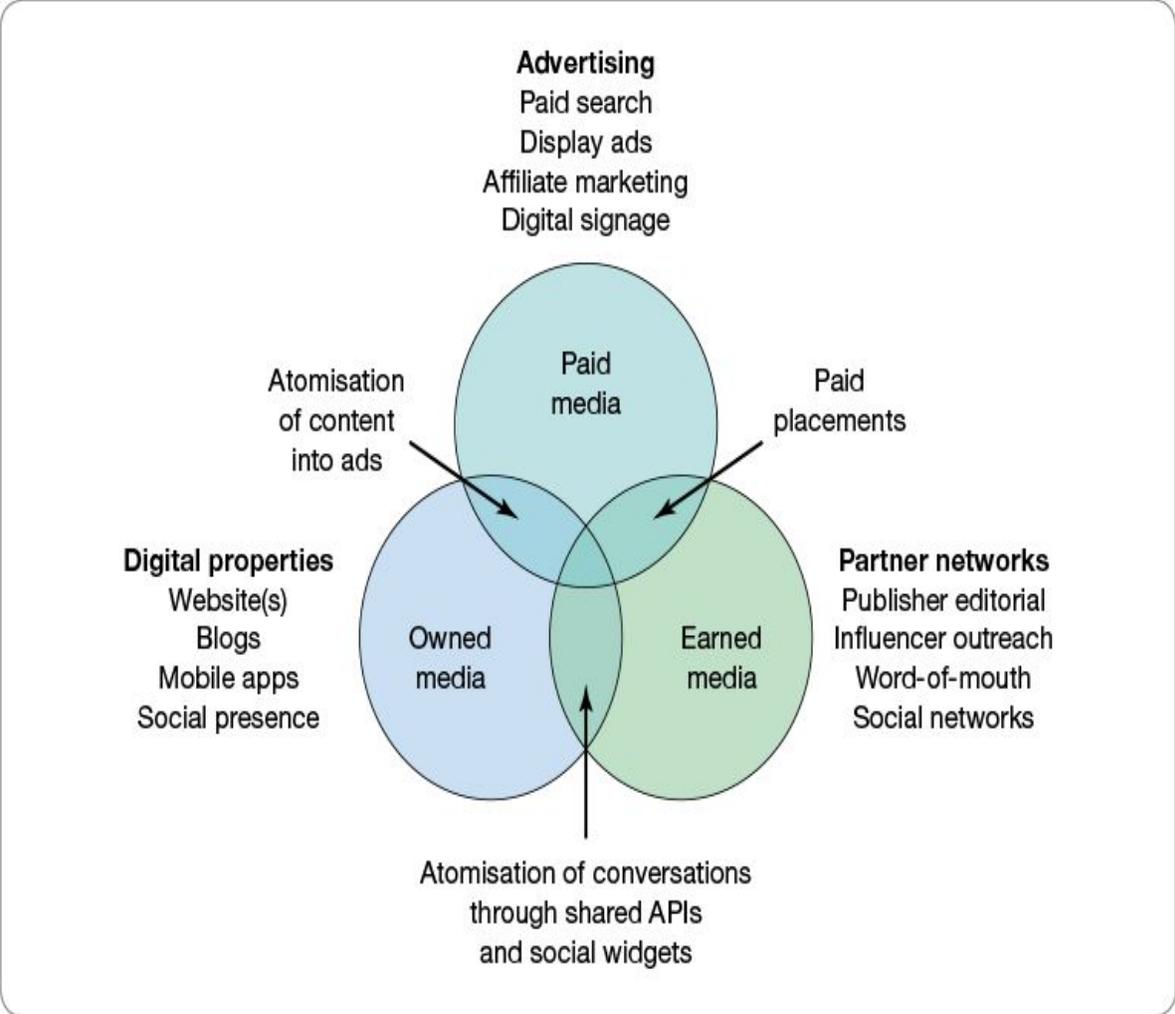
The audience is reached through editorial, comments and sharing online.

We will see at the end of this chapter that content marketing has become a core integrated modern marketing approach that involves communications across paid, owned and earned media.

You can see in [Figure 1.2](#) that there is overlap between the three different types of media. It is important to note this since achieving this overlap requires integration of campaigns, resources and infrastructure. Content on a content hub or site can be broken down (sometimes described as microcontent) and shared between other media types through widgets powered by program and data exchange APIs (**application programming interfaces**) such as the Facebook API.

Application programming interfaces
Method of exchanging data between systems such as website services.

Figure 1.2 The intersection of the three key online media types



Activity 1.2: The latest marketing technology landscape

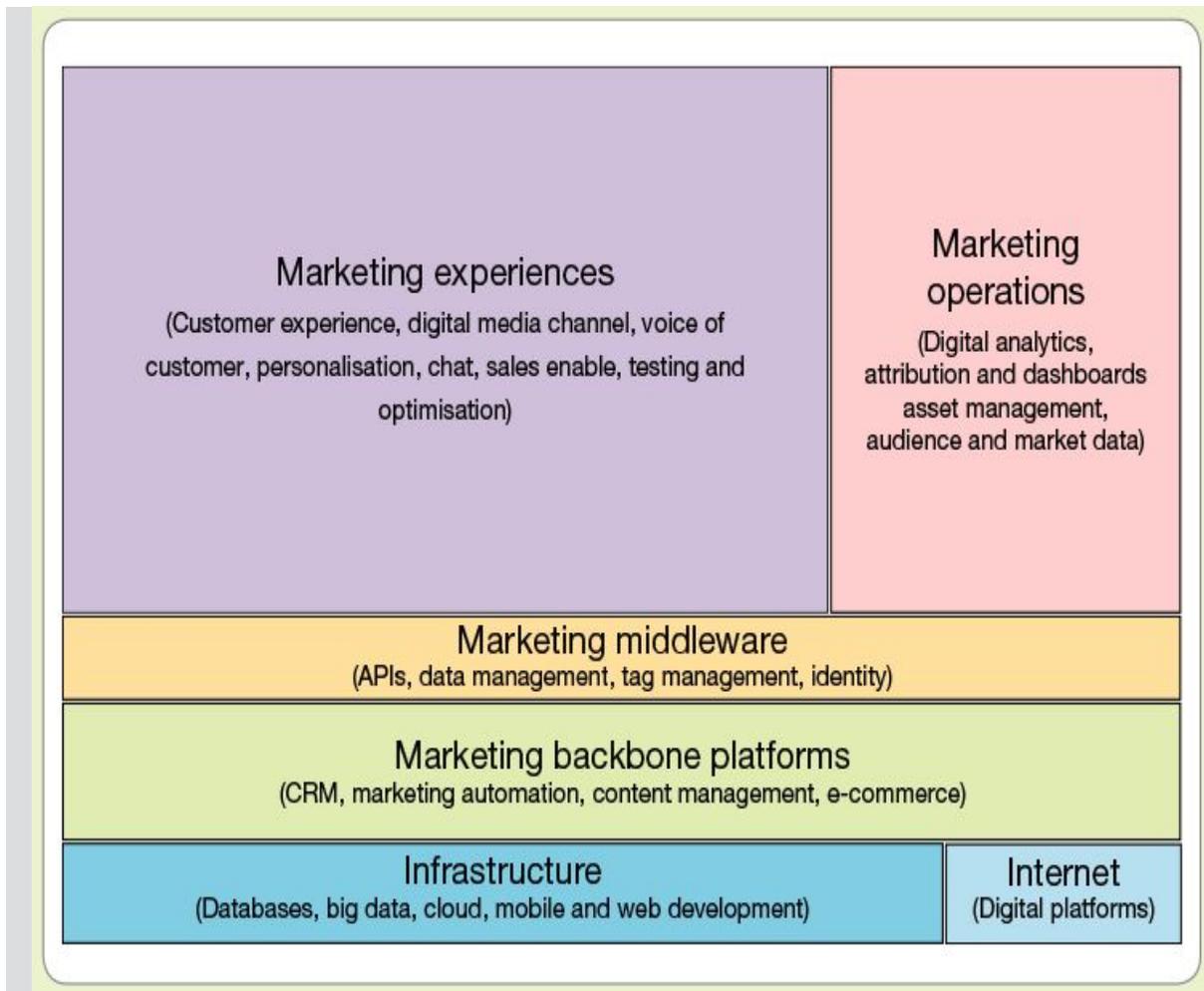
Purpose

To illustrate the range of systems available to support marketers and to explain the main categories of service available. We look at different forms of martech to support marketing throughout the book and there is a dedicated section in [Chapter 10](#).

Activity

1. Search for Scott Brinker's latest technology roadmap for the current year on his [ChiefMartec.com](#) site. For each of the six categories of service summarised in [Figure 1.3](#), write a layman's description of how they can support digital marketing activities by reviewing the proposition as described on the websites of the most popular services in the category (the most popular are listed first).
2. Make a note to understand the different types of service defined in each category.
3. Choose one or two vendor systems and visit their websites to see how they explain the proposition and explain it to others in your group(s). Alternatively, identify the most popular service(s) in each category.

Figure 1.3 Scott Brinker's categorisation of modern marketing technology options – digital platforms include Facebook, Google, LinkedIn and Twitter



Source: With permission – Chiefmartec.com

Essential digital skills: Keeping up-to-date with digital

At the start of each chapter you will find an Essential digital skills box that has practical ideas to improve your knowledge and recommendations to improve ‘hands-on’ digital skills, which are recommended by employers.

In this chapter, we recommend some techniques that marketers can use to stay up-to-date with developments in digital marketing and with their competitors.

We recommend you develop the following skills:

- regularly reviewing the latest trends in digital marketing techniques;

- assessing the relevance to business of new features from the main digital marketing platforms such as Facebook and Google.

These are the techniques that Dave Chaffey uses to keep up-to-date with the latest developments:

- Use Twitter lists to get focused updates from the best websites or influencers, which are grouped into streams. I monitor these in [Hootsuite.com](http://hootsuite.com), which you can also use to set up streams for competitors.
- Use a feed reader app such as FeedlyTM to subscribe to different digital marketing news sites. The most popular articles are highlighted to help you filter out the biggest developments. Install Feedly and you will get recommendations of the best marketing sites.
- Use ZestTM to be alerted to the most popular marketing articles in your browser.

You can populate your Twitter lists or feeds with recommendations at the end of the chapter.

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Introduction to digital marketing strategy

The key strategic decisions for digital marketing are in common with traditional business and marketing strategy decisions. As we will see in [Chapter 4](#), which defines a process for developing a digital marketing strategy, customer segmentation, targeting and **positioning** are all key to effective digital marketing. These familiar **target marketing strategy** approaches involve selecting target customer groups and specifying how to deliver value to these groups as a proposition of services and products. As well as positioning of the core product or brand proposition, online development of a compelling *extended product* or **online value proposition (OVP)** is also important (see [Chapter 7](#)). This defines how the online experience of a brand is delivered through content, visual design, interactivity, sharing, rich media and how the online presence integrates with the offline presence. All of the companies referenced in [Table 1.1](#) have a clear, compelling OVP. Strategic decisions about the future OVP a company offers is a key part of digital marketing strategy.

Positioning

Customers' perception of the product and brand offering relative to those of competitors.

Target marketing strategy

Evaluation and selection of appropriate customer segments and the development of appropriate offers.

Online value proposition (OVP)

A statement of the benefits of online services that reinforces the core proposition and differentiates from an organisation's offline offering and those of competitors.

Key features of digital marketing strategy

The interaction and integration between digital channels and traditional channels is a key part of digital marketing strategy development. Digital marketing strategy is essentially a channel marketing strategy and it needs to be integrated with other channels as part of multichannel marketing. It follows that an effective digital marketing strategy should:

- be aligned with business and marketing strategy (for example, many companies use a rolling three-year plan and vision), with more specific annual business priorities and initiatives;
- use clear objectives for business and brand development and the online contribution of leads and sales for the Internet or other digital channels – these should be based on models of the number using the channels;
- be consistent with the types of customers who use and can be effectively reached through the channel;
- define a compelling, differential **value proposition** for the channel, which must be effectively communicated to customers;
- specify the mix of online and offline communication tools used to attract visitors to the company website, or interact with the brand through other digital media such as email or mobile;
- support the customer journey through the buying process as they select and purchase products using the digital channel in combination with other channels;
- manage the online customer lifecycle through the stages of attracting visitors to the website, converting them into customers and retention and growth.

Value proposition

The benefits or value a brand offers to customers in its products and services.

Applications of digital marketing

For established multichannel organisations, digital media offer a range of opportunities for marketing products and services across the purchase cycle that companies need to review as part of their digital strategy. Consider the example of a low-cost airline. Digital media and technologies can be used as follows:

- **Advertising medium.** Display ads on publisher sites or social networks can be used to create awareness of brands and demands for products or services.
- **Direct-response medium.** Targeted search advertising enables companies to drive visits to a site when consumers shows intent to purchase, such as searching for a flight to a destination.
- **Platform for sales transactions.** Online flight booking is now the most common method for booking flights, both for consumers and business travellers.
- **Lead-generation method.** For booking business flights, tools can be provided that help identify and follow up corporate flight purchases.
- **Distribution channel, such as for distributing digital products.** Today, airlines sell more insurance services than previously, for example.
- **Customer service mechanism.** For example, customers may ‘self-serve’ more cost-effectively by reviewing frequently asked questions.
- **Relationship-building medium.** Here a company can interact with its customers to better understand their needs and publicise relevant products and offers. For example, easyJet™ uses its email newsletter and tailored alerts about special deals to encourage repeat flight bookings.

Benefits of digital marketing

The benefits of digital marketing in supporting marketing is suggested by applying the definition of marketing by the Chartered Institute of Marketing (www.cim.co.uk):

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

This definition emphasises the focus of marketing on the customer, while at the same time implying a need to link to other business operations to achieve this

profitability. Chaffey and Smith (2017) note that digital marketing can be used to support these aims as follows:

- **Identifying.** The Internet can be used for marketing research to find out customers' needs and wants (Chapters 7 and 10).
- **Anticipating.** The Internet provides an additional channel by which customers can access information and make purchases – evaluating this demand is key to governing resource allocation to e-marketing (as explained in Chapters 2, 3 and 4).
- **Satisfying.** A key success factor in e-marketing is achieving customer satisfaction through the electronic channel, which raises issues such as is the site easy to use, does it perform adequately, what is the standard of associated customer service and how are physical products dispatched? (These issues of customer relationship management are discussed further in Chapters 6 and 7).

In Chapter 4, we show how to quantify different goals as part of developing digital marketing strategy. To introduce the typical types of goals for digital marketing, see Table 1.2, which gives a basic framework for setting and reviewing different types of goals for digital strategy development based on the 5Ss of Chaffey and Smith (2017).

A powerful method of evaluating the strategic marketing opportunities of using the Internet is to apply the strategic marketing grid of Ansoff (1957), as discussed in the strategy formulation section of Chapter 4. This shows how the Internet can potentially be used to achieve four strategic directions:

1. **Market penetration.** The Internet can be used to sell more existing products into existing markets.
2. **Market development.** Here the Internet is used to sell into new geographical markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customers' countries.
3. **Product development.** New products or services are developed that can be delivered by the Internet. These are typically digital products.
4. **Diversification.** In this sector, the Internet supports selling new products, which are developed and sold into new markets.

Geyskens *et al.* (2002) suggested an alternative perspective – that there are three main forms of demand expansion for an existing company when it adopts

direct Internet channels. These are:

1. **Market expansion.** This occurs when new segments of customers are reached who did not previously buy in a category – they give the example of Estée Lauder™, which hopes that the Clinique.com™ site will attract customers who avoid buying at a cosmetics counter because they find the experience intimidating.
2. **Brand switching.** This is done by winning customers from competitors.
3. **Relationship deepening.** This is selling more to existing customers.

Table 1.2 The 5Ss of digital marketing

Benefit of e-marketing	How benefit is delivered	Examples of typical objectives
Sell – Grow sales	Includes direct online sales and sales from offline channels influenced online. Achieved through wider distribution to customers you cannot readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels	Achieve 10 per cent of sales online in market Increase online sales for product by 20 per cent in year
Serve – Add value	Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback	Increase interaction with different content on site Increase dwell-time duration on site by 10 per cent (sometimes known as ‘stickiness’) Increase number of customers actively using online services (at least once per month) to 30 per cent

<p>Speak – Get closer to customers</p>	<p>Creating a two-way dialogue through web interactions like forums and surveys and conducting online market research through formal surveys and informally monitoring conversations to learn about them</p>	<p>Grow email coverage to 50 per cent of current customer database Survey 1000 customers online each month Increase visitors to community site section by 5 per cent</p>
<p>Save – Save costs</p>	<p>Achieved through online email communications, sales and service transactions to reduce staff, print and postage costs. Savings also accrue through ‘web self-service’ where customers answer queries through online content</p>	<p>Generate 10 per cent more sales for same communications budget Reduce cost of direct marketing by 15 per cent through email Increase web self-service to 40 per cent of all service enquiries and reduce overall cost-to-serve by 10 per cent</p>
<p>Sizzle – Extend the brand online</p>	<p>Achieved through providing new propositions, new offers and new experiences online including building communities</p>	<p>Improve branding metrics such as brand awareness, reach, brand favourability and purchase intent</p>

Source: Chaffey and Smith (2017)

For well-established brands with a loyal customer base, price reduction relative to other channels is not necessarily essential, or some web-channel price reductions can be used, but they note that often competitive pressures may require lower online prices. These authors also note the potential benefits of reduction in transactional and distribution costs through introducing a direct Internet channel once initial startup costs are incurred. However, for manufacturer brands it is important that consideration is given to the advertising expenditure required to move goods through the supply chain once a brand is established online (Pei *et al.*, 2014). It is essential for brands to plan how they will manage potential channel conflict when establishing their brands online.

Digital marketing gives excellent opportunities to enter and grow a business by entering new markets, as the Zalando™ [mini case study 1.2](#) shows.

As well as assisting large corporate organisations to develop their markets, perhaps the most exciting potential of digital media is to help existing small and medium enterprises (SMEs) to expand. Read [mini case study 1.2](#), which illustrates how one manufacturer has used digital media and technology to build its brand. There is further discussion of the opportunities of digital communication at the end of the chapter.

Mini case study 1.2: Zalando exploits the power of digital media and distribution to grow a multi-billion Euro business in less than five years

Once a single-country startup inspired by the successful business model of [Zappos.com](#), Zalando was founded in 2008 by David Schneider, Rubin Ritter and Robert Gentz, with an early loan of €75,000 from German venture capital firm Rocket Internet SE. Zalando has become a €6 billion company and Europe's top fashion retail platform. In 2008, Zalando served only Germany; five years later it was serving 15 European countries.

Now, Zalando sells over 1,500 international brands, including international premium brands, as well as localised brands that are only available per country. For each of the 15 tailor-made websites per country it serves, it includes customised shipping, payment, fashion and marketing strategies unique to the culture and country. In early 2018 more than 70 per cent of site visits were from mobile devices.

Figure 1.4 The new Zalando campus in Berlin



Zalando is popular and successful for many reasons, including a media, content, merchandising and localisation strategy applied to each country, an effective customer satisfaction programme and focus on the mobile experience. Its Google Ads™ programme is particularly important as a method for it to gain rapid awareness in each country it has entered, since other online media techniques such as SEO (too slow to grow an audience rapidly in a competitive market) and social media (relatively poor at impacting online sales) can fail to gain traction in a market. Using Google Ads and offline advertising plus the distribution infrastructure requires a significant investment, so substantial initial backing is needed for an international e-commerce business like this, which is evident since it took four-plus years to break even in the core regions of Germany, Austria and Switzerland.

Alternative digital business models

As part of strategy development, organisations require clarity on the type of business model they will develop.

Business and consumer business models

A basic aspect of the types of online business model explored in [Chapter 2](#) is whether the proposition offered appeals to consumers or business. Because of this distinction, digital marketing opportunities are often described in terms of the extent to which an organisation is transacting with consumers (**business-to-consumer, B2C**) or other businesses (**business-to-business, B2B**).

Business-to-consumer (B2C)

Commercial transactions between an organisation and consumers.

Business-to-business (B2B)

Commercial transactions between an organisation and other organisations (inter-organisational marketing).

Reference to the well-known online companies in [Table 1.1](#) initially suggests these companies are mainly focused on B2C markets. However, B2B communications are still important for many of these companies since business transactions may occur, as for example with eBay Business (<http://business.ebay.com>), or the B2C service may need to be sustained through advertising provided through B2B transactions, for example Google's revenue is largely based on its B2B Ads advertising programme (<http://ads.google.com/>), which includes search ads, display ads and YouTube ads. Advertising service and advertising-based revenue is also vital to social network sites such as YouTube, Facebook and Twitter.

Digital media and technologies offer new opportunities for **direct-to-customer** strategies where brands can communicate directly to their consumers. For example, a publisher and authors can interact with their readers, or food brands can interact directly with their purchasers via their websites or social media.

Direct-to-customer model

A brand which has previously communicated to its customers via intermediaries such as media sites or wholesalers communicates directly via digital media such as social networks, email and websites.

[Figure 1.5](#) gives examples of different companies operating in the business-to-consumer (B2C) and business-to-business (B2B) spheres. Often companies such as easyJet and BP™ will have products that appeal to both consumers and

businesses, so will have different parts of their site to appeal to these audiences. [Figure 1.5](#) also presents two additional types of trans-action – those where consumers transact directly with other consumers (**consumer-to-consumer, C2C**) and where they initiate trading with companies (**consumer-to-business, C2B**). Common C2C interactions include transactional exchange (e.g. eBay™, www.ebay.com), financial services (e.g. Zopa™, www.zopa.com.) and betting (e.g. Betfair™, www.betfair.com). In the early stages of the evolution of the web, Hoffman and Novak (1996) highlighted the potential importance of C2C interactions; the significance of their findings have been supported by the growth of social networks. More recently, Adjei *et al.* (2010) found how brand communities can be effective tools for influencing sales and retaining customers and building confidence in new customers.

Consumer-to-consumer (C2C)

Informational or financial transactions between consumers, but usually mediated through a business site.

Consumer-to-business (C2B)

Consumers approach the business with an offer.

The significance of C2C interactions, which often involve creation of what is known as UGC or user-generated content), is illustrated in [Activity 1.3](#).

[Figure 1.5](#) also includes government and public-service organisations that deliver online or **e-government** services. As well as the models shown in the figure, it has also been suggested that employees should be considered as a separate type of consumer through the use of intranets, which is referred to as employee-to-employee or E2E.

e-government

The use of Internet technologies to provide government services to citizens.

What is the difference between e-commerce and digital business?

Electronic commerce (e-commerce) refers to both financial and informational electronically mediated transactions between an organisation and any third party it deals with. So e-commerce involves management not only of online sales transactions, but also of non-financial transactions such as inbound customer service enquiries and outbound email broadcasts, so you can argue that e-commerce is open to all online organisations.

Electronic commerce (e-commerce)

All financial and informational electronically mediated exchanges between an organisation and its external stakeholders.

Figure 1.5 Summary and examples of transaction alternatives between businesses, consumers and governmental organisations

		From: Supplier of content/service		
		Consumer or citizen	Business (organisation)	Government
To: Consumer of content/service	Consumer or citizen	Consumer-to-consumer (C2C) <ul style="list-style-type: none"> • eBay • Peer-to-peer (Skype) • Blogs and communities • Product recommendations • Social network (Bebo™, Facebook, Google+) 	Business-to-consumer (B2C) <ul style="list-style-type: none"> • Transactional: Amazon • Relationship-building: BP • Brand-building: Unilever™ • Media-owned – News Corp • Comparison intermediary: Kelkoo™, Pricerunner™ 	Government-to-consumer (G2C) <ul style="list-style-type: none"> • National government transactional: tax – HM Revenue & Customs • National government information • Local government information • Local government services
	Business (organisation)	Consumer-to-business (C2B) <ul style="list-style-type: none"> • Priceline • Consumer feedback, communities or campaigns 	Business-to-business (B2B) <ul style="list-style-type: none"> • Transactional: Eurooffice • Relationship-building: BP • Media-owned: Emap business productions • B2B marketplaces: EC21 • Social network (LinkedIn, Plaxo™) 	Government-to-business (G2B) <ul style="list-style-type: none"> • Government services and transactions: tax • Legal regulations
	Government	Consumer-to-government (C2G) <ul style="list-style-type: none"> • Feedback to government through pressure groups or individual sites 	Business-to-government (B2G) <ul style="list-style-type: none"> • Feedback to government businesses and non-governmental organisations 	Government-to-government (G2G) <ul style="list-style-type: none"> • Inter-government services • Exchange of information

Activity 1.3: Why are C2C interactions important?

Purpose

To highlight the relevance of C2C transactions to B2C companies.

Activity

Consult with fellow students and share experiences of C2C interactions online. Think of C2C on both independent sites and organisational sites. How can C2C communications assist these organisations?

E-commerce is often further subdivided into a **sell-side e-commerce** perspective, which refers to transactions involved with selling products to an organisation's customers, and a **buy-side e-commerce** perspective, which refers to business-to-business transactions to procure resources needed by an organisation from its suppliers. This is shown in [Figure 1.6](#).

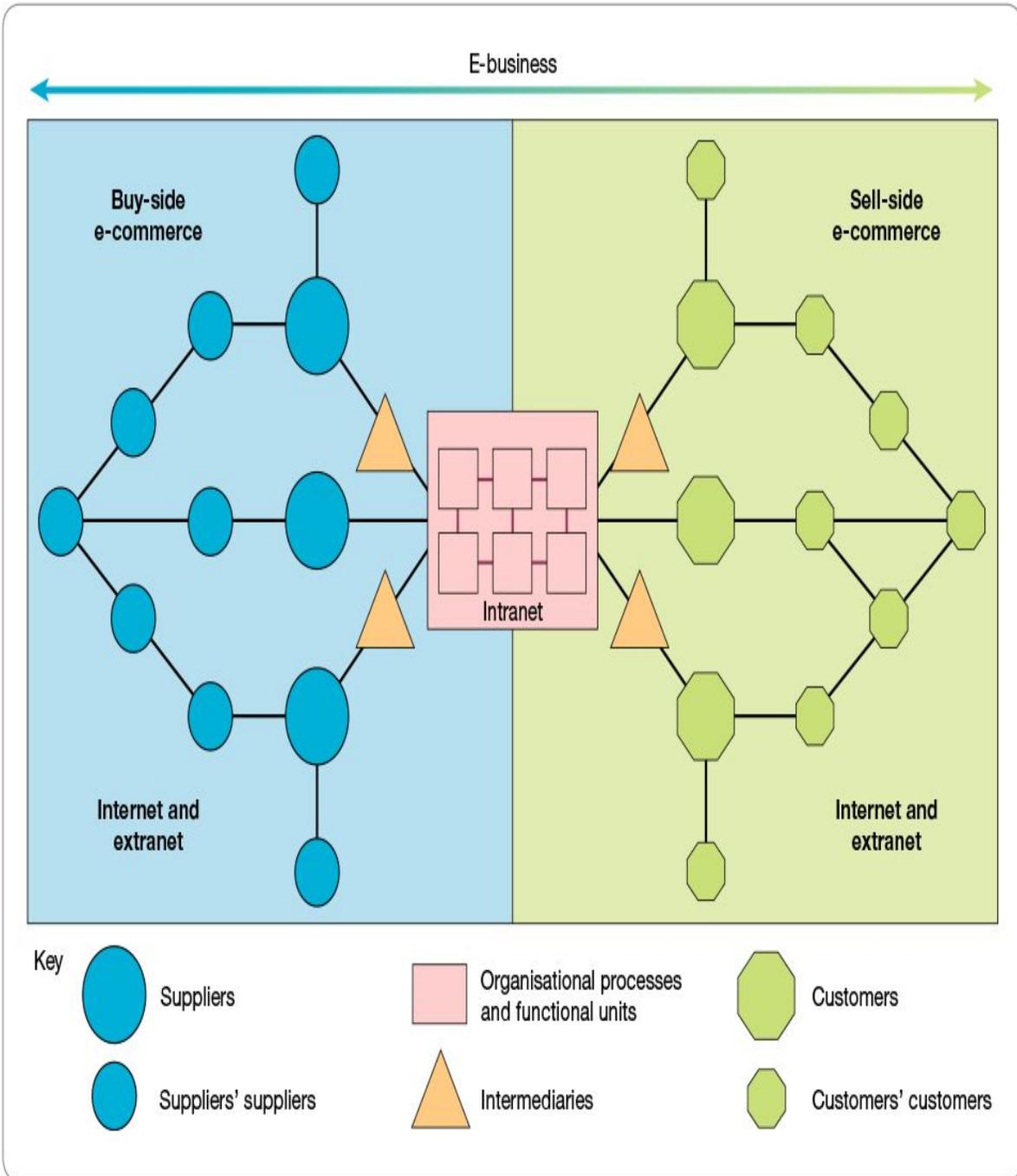
Sell-side e-commerce

E-commerce transactions between a supplier organisation and its customers.

Buy-side e-commerce

E-commerce transactions between a purchasing organisation and its suppliers.

Figure 1.6 The distinction between buy-side and sell-side e-commerce



Social commerce is an increasingly important part of e-commerce for site owners, since incorporating reviews and ratings into a site and linking to social networking sites can help understand customers' needs and increase conversion to sale. It can also involve group buying using a coupon service, as with Groupon™. There is much discussion on the extent to which social media interactions between consumers directly influence sales. **Digital marketing**

[insight 1.1](#) outlines research hinting at the complexity of understanding this relationship. We introduce social media marketing later in this chapter.

Social commerce

Social commerce is a subset of e-commerce that encourages participation and interaction of customers in rating, selecting and buying products through group buying. This participation can occur on an e-commerce site or on third-party sites.

Electronic business (e-business), now more commonly known as **digital business**, is similar to e-commerce but broader in scope and refers to using digital technology to manage a range of business processes incorporating the sell-side and buy-side e-commerce shown in [Figure 1.7](#), and also other key supporting business processes including research and development, marketing, manufacturing and inbound and outbound logistics.

Electronic business (e-business) or digital business

Electronically mediated information exchanges, both within an organisation and with external stakeholders supporting the range of business processes.

Different forms of functionality of digital presence

The form of digital strategy developed by a company will depend on the sector and scale of a business. Chaffey (2015) identifies different types of digital presence and each has different objectives and functionality that are appropriate for different markets or industry sectors. Note that these are not clear-cut categories of websites or mobile apps, since any company may combine these types as part of their business model, but with a change in emphasis according to the market they serve. Increasingly, companies are using dedicated mobile apps and company pages on social networks such as Facebook, Twitter and LinkedIn to similar purposes. As you review websites and company social presences, note how organisations have different parts of the site focusing on these functions of sales transactions, services, relationship-building, brand-building and providing news and entertainment. The five main types of site or mobile app functions are as follows.

Digital marketing insight 1.1: Social commerce – how much do social networks influence purchase?

Research published by the Harvard Business School, quoting Iyengar *et al.* (2009), found that in Korea, where social networking and commerce were more established, social networks do influence purchase, but the degree of influence depends on the usage level and connectedness of a user. In summary, the research shows:

- For light users of social networks with few connections (48 per cent of users), purchases are unaffected by social network activity.
- For moderate users of social networks with average connections (40 per cent), purchases are influenced by social network interaction, boosting vendor sales for this group by 5 per cent.
- For heavy users of social networks with a high number of connections (12 per cent), purchases are also influenced by social network interaction, but negatively; these users avoid buying what their friends have bought and are talking about, leading to a 14 per cent drop in sales from this group for vendors.

We return to this question in [Chapter 9](#), where we explore the effectiveness of different types of digital media in the Smart Insights (2015b) article ‘Is this the social media backlash?’.

1 Transactional e-commerce

This enables purchase of products or services online and is typical in the retail, travel and financial services sector. The main business contribution of the site is through sale of these products. The sites also support the business by providing customer service and information for consumers who prefer to purchase products offline.

- Visit these examples: an end-product manufacturer such as Kia™ with an online ‘Build your Kia’ configurator (www.kia.com/uk) or an online retailer such as Zalando™ (www.zalando.com).

2 Services-orientated relationship-building for lead-building and support

This provides information to stimulate purchase and build relationships. Products and services are not typically available for purchase online. Rather, this is typical in the business-to-business sector and for high-value or complex consumer products. Information is provided through the website and e-newsletters to inform purchase decisions. The main business contribution is through encouraging offline sales via generating enquiries or leads from

potential customers. Such sites also add value to existing customers by providing them with detailed information to help support them in their lives at work or at home.

- Visit these examples: B2B management consultants Accenture™ (www.accenture.com) and B2C laser eye treatment company Optimax™ (www.optimax.co.uk)

3 Brand-building

This type of site or app provides an experience to support the brand. Products are not typically available for online purchase. The main focus is to support the brand by developing an online experience of the brand and it is typically used for low-value, high-volume fast-moving consumer goods (FMCG) brands for consumers.

- Visit these examples: Durex™ (www.durex.com) and Guinness™ (www.guinness.com).

4 Publisher or media site

This provides news, entertainment or information or news about a range of topics and typically has an advertising or affiliate revenue model, as explained in [Chapter 2](#). Previously termed ‘portal’ to refer to a gateway to information, this term is not in common usage today. This is information both on the site and through links to other sites. Portals have a diversity of options for generating revenue including advertising, commission-based sales and sale of customer data (lists).

- Visit these examples: HuffPost™ (www.huffingtonpost.com) (B2C) and Smart Insights (www.smartinsights.com) (B2B).

These different types of sites tend to increase in sophistication as organisations develop their digital marketing. In [Chapters 2 and 4](#) we look at **stage models** of the development of digital marketing services and capabilities, from static **brochureware sites** to dynamic **transactional e-commerce sites** that support interactions with customers.

Stage models

Models for the development of different levels of digital services.

Brochureware site

A simple site with limited interaction with the user that replicates offline marketing literature.

Transactional e-commerce sites

Sites that support online sales.

5 Social network or community

These sites or parts of sites focus on enabling community interactions between different consumers (C2C model). Typical interactions include posting comments and replies to comments, sending messages, rating content and tagging content in particular categories.

Well-known examples include Facebook, Instagram, LinkedIn, Snapchat and Twitter. In addition to distinct social network sites such as these, social networks can also be integrated into other site types.

Challenges in developing and managing digital marketing strategy

Some of the challenges in managing digital marketing strategy that are commonly seen in many organisations (and should be managed) include:

- There are unclear responsibilities for the many different digital marketing activities (shown in [Figure P.1](#) in the Preface).
- No specific objectives are set for digital marketing.
- Insufficient budget is allocated for digital marketing because customer demand for online services is underestimated and competitors potentially gain market share through superior online activities.
- Budget is wasted as different parts of an organisation experiment with using different techniques, martech suppliers without achieving economies of scale.
- New online value propositions for customers are not developed since the Internet is treated as ‘just another channel to market’ without review of opportunities to offer improved, differentiated online services.
- Results from digital marketing are not measured or reviewed adequately, so actions cannot be taken to improve effectiveness.

- An experimental rather than planned approach is taken to using e-communications with poor integration between online and offline marketing communications.

Research by Smart Insights (2017) investigated the challenges of managing digital marketing. It was found that many businesses do face challenges in these areas:

- **Planning.** Nearly half (44 per cent) of businesses surveyed do not have a defined digital plan or strategy although they are active in digital marketing, while nearly half (49 per cent) also don't have a defined marketing plan in the business against which to align strategy.
- **Organisational capabilities.** Many businesses either already have introduced (30 per cent) or were planning to introduce (33 per cent) a digital transformation programme, although a substantial number (37 per cent) of businesses don't think it's relevant for them.
- **Integration of digital channels into marketing.** Only a fifth of companies (20 per cent) were happy with their level of integration of digital marketing and traditional communications. The main barriers to integration are: lack of integrated strategy and plans; teams structured in silos; and lack of skills in integrated communications.
- **ROI evaluation.** A significant proportion (39 per cent) see opportunities from digital marketing, but find ROI measurement challenging – a key area for managers to address.

Given the future importance of digital marketing, larger organisations have introduced **digital transformation** programmes to help manage these challenges. The approach has been discussed by many management consulting groups, for example MIT Center for Digital Business and Capgemini Consulting (2011) and Altimeter Consulting (2014).

Digital transformation

A staged programme of business improvements to people, process and tools used for integrated digital marketing to maximise the potential contribution of digital technology and media to business growth.

Altimeter produced a visual proposing enablers and barriers to digital transformation (Figure 1.7). It shows how disruptive digital technologies such

as social media, mobile platforms and real-time marketing should be harnessed to create an effective digital customer experience.

Applying the 7Ss

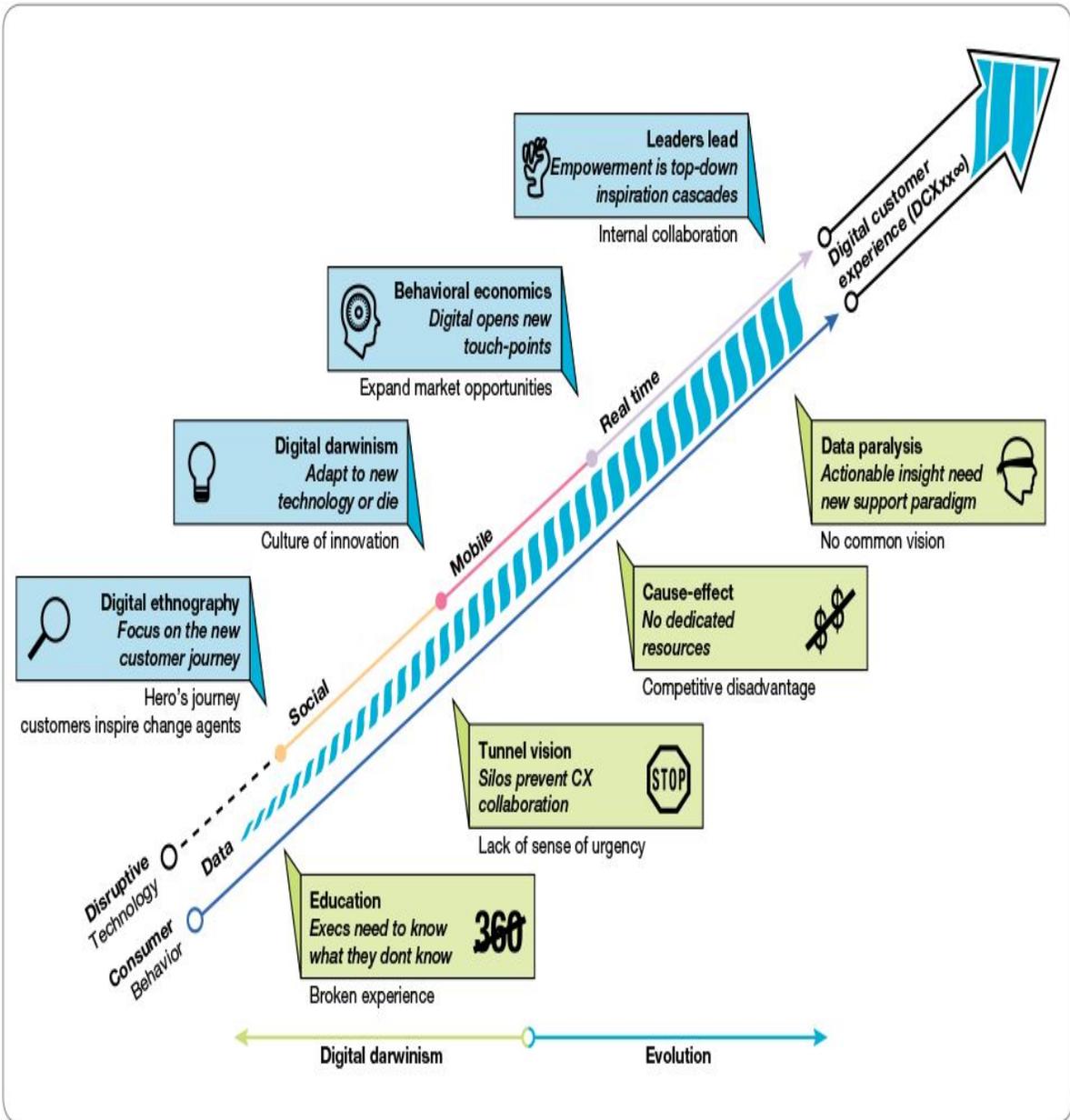
The 7Ss are a useful framework for reviewing an organisation's existing and future capabilities to meet the challenges posed by the new digital channels, and some of the aspects of this are shown in [Table 1.3](#).

You may have encountered the 7S framework, summarised by Waterman *et al.* (1980) and developed by McKinsey and Company consultants in the 1980s. It is often referenced when referring to the management of a business. Econsultancy (2005) summarised some of the strategic resource management issues that require consideration, as shown in [Table 1.3](#). These remain relevant factors for organisations to review today since many businesses are still undertaking digital transformation programmes.

A strategic framework for developing a digital marketing strategy

To realise the benefits of digital marketing and avoid the pitfalls that we have described, an organisation needs to develop a planned, structured approach. Consequently, this text defines a strategic approach to digital marketing that is intended to manage these risks and deliver the opportunities available from online channels. In [Figure 1.8](#) we suggest a process for developing and implementing a digital marketing plan that is based on our experience of strategy definition in a wide range of companies. This diagram highlights the key activities and their dependencies, which are involved for the creation of a typical digital marketing strategy, and relates them to coverage in different chapters in this text.

Figure 1.7 The drivers and barriers to digital transformation



Source: Altimeter Consulting (2014)

Table 1.3 Summary of some of the organisational challenges of digital marketing that need to be managed in the context of the 7S framework

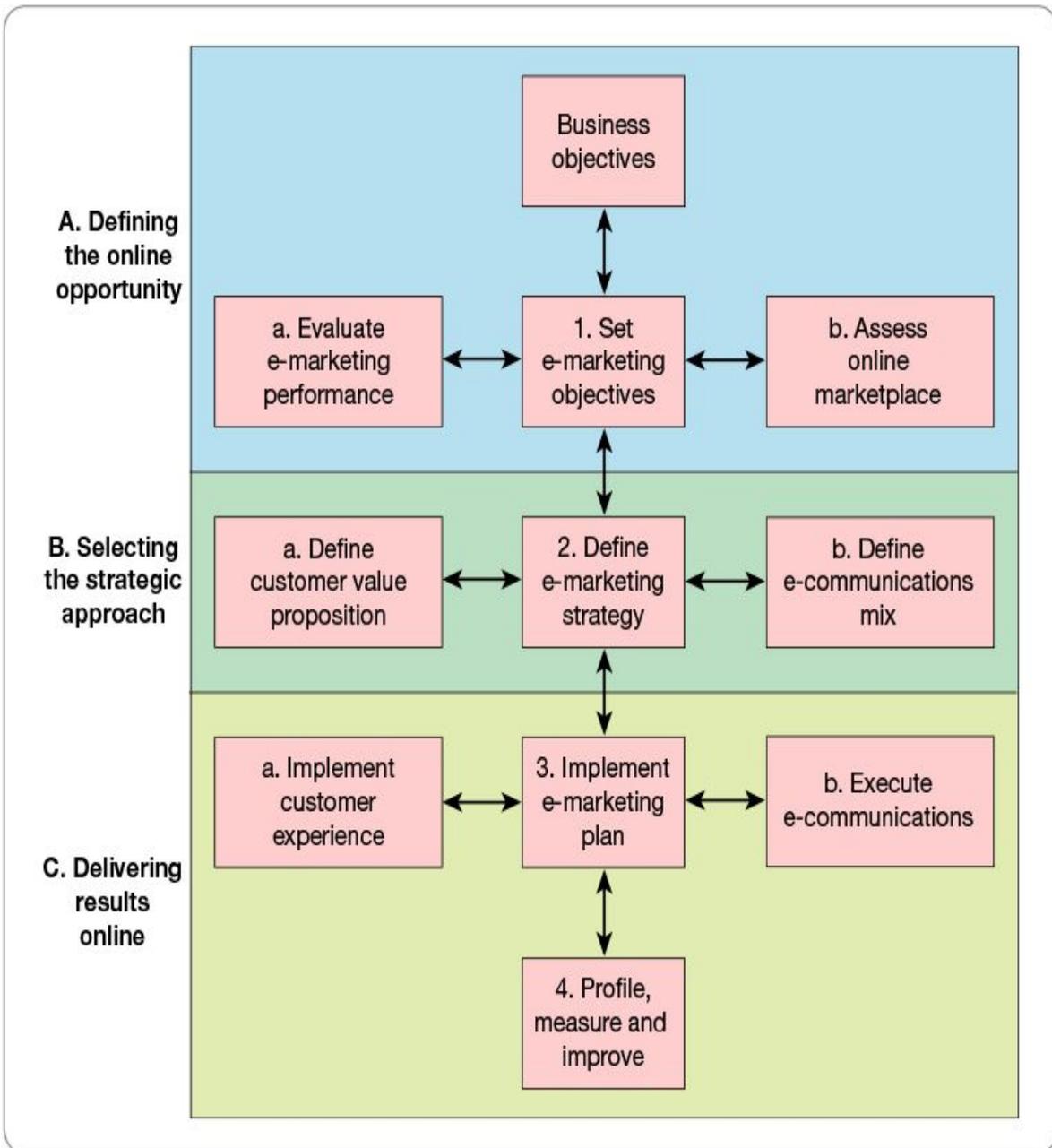
Element of 7S model	Application to digital marketing strategy	Key issues from practice and literature
Strategy	The significance of digital marketing in influencing and supporting the organisation's strategy	Gaining appropriate budgets and demonstrating/delivering value and ROI from budgets. Annual planning approach

		<p>Techniques for using digital marketing to impact organisation strategy</p> <p>Techniques for aligning digital strategy with organisational and marketing strategy</p>
Structure	The modification of organisational structure to support digital marketing	<p>Integration of digital marketing and e-commerce teams with other management, marketing (corporate communications, brand marketing, direct marketing) and IT staff</p> <p>Use of cross-functional teams and steering groups</p> <p>Insourcing vs outsourcing</p>
Systems	The development of specific processes, procedures or information systems to support digital marketing	<p>Campaign planning approach–integration</p> <p>Managing/sharing customer information</p> <p>Managing content quality</p> <p>Unified reporting of digital marketing effectiveness</p> <p>In-house vs external best-of-breed vs external integrated technology solutions</p>
Staff	The breakdown of staff in terms of their background and characteristics such as IT vs marketing, use of contractors/consultants, age and sex	<p>Insourcing vs outsourcing</p> <p>Achieving senior management buy-in/involvement with digital marketing</p> <p>Staff recruitment and retention.</p> <p>Virtual working</p> <p>Staff development and training</p>
Style	Includes both the way in which key managers behave in achieving the organisation’s goals and the cultural style of the organisation as a whole	<p>Relates to role of digital marketing team in influencing strategy – is it dynamic and influential or conservative and looking for a voice</p>

Skills	Distinctive capabilities of key staff, but can be interpreted as specific skill sets of team members	Staff skills in specific areas: supplier selection, project management, content management, specific e-marketing approaches (SEO, PPC, affiliate marketing, email marketing, online advertising)
Superordinate goals	The guiding concepts of the digital marketing organisation which are also part of shared values and culture. The internal and external perception of these goals may vary	Improving the perception of the importance and effectiveness of the digital marketing team among senior managers and staff it works with (marketing generalists and IT)

Source: Econsultancy (2005)

Figure 1.8 A generic digital marketing strategy development process



A: Opportunity: defining the online opportunity

Setting objectives to define the potential is the core of this phase of strategy development. Key activities are:

- 1 Set digital marketing objectives** (Chapters 4 and 8). Companies need to set specific numerical objectives for their online channels and then resource to deliver these objectives. These objectives should be informed

by and influence the business objectives and also the following two activities.

- 1a Evaluate digital marketing performance** (Chapters 4 and 10). Apply web analytics tools to measure the contribution of leads, sales and brand involvement currently delivered by online communications such as search engine marketing, online advertising and email marketing in conjunction with the website.
- 1b Assess online marketplace** (Chapters 2, 3 and 4). Situation analysis review of the micro-environment (customers, competitors, intermediaries, suppliers and internal capabilities and resources) and the broader macro-environment that influences strategy, such as legal requirements and technology innovation.

B: Strategy: selecting the strategic approach

- 2 Define digital marketing strategy** (Chapter 4). Select appropriate strategies to achieve the objectives set at stage A1.
- 2a Define customer value proposition** (Chapters 4 to 7). Define the value proposition available through the online channel and how it relates to the core proposition delivered by the company. Review segmentation and targeting options. Review the marketing mix and brand values to evaluate how they can be improved online.
- 2b Define digital communications mix** (Chapters 4, 8 and 9). Select the offline and online communications tools to encourage usage of an organisation's online services and to generate leads and sales. Develop new outbound communications and event-triggered touch strategies to support customers through their relationship with the company.

C: Action: delivering results online

- 3 Implement digital marketing plan** (Part 3). This details the implementation of the strategy.
- 3a Implement customer experience** (Chapter 7). Build the website, mobile apps and create the email marketing communications that form the online interactions customers make with a company. Create online customer relationship management capabilities to understand customers' characteristics, needs and behaviours and to deliver targeted, personalised value (Chapter 6).

- 3b Execute digital communications** (Chapters 8 and 9). Manage the continuous online marketing communications such as search engine marketing, partnership social media marketing, sponsorships and affiliate arrangements, and campaign-based e-marketing communications such as online advertising, email marketing and microsites to encourage usage of the online service and to support customer acquisition and retention campaigns. Integrate the digital media channels with traditional marketing.
- 4 Customer profiling** (Chapter 6), monitoring and improving online activities and maintaining the online activities (Chapter 9). Capture profile and behavioural data on customer interactions with the company and summarise and disseminate reports and alerts about performance compared with objectives in order to drive performance improvement.

You will see that in the process diagram, [Figure 1.8](#), many double-headed arrows are used, since the activities are often not sequential, but rather inform each other, so activity 1, set digital marketing objectives, is informed by the activities around it but may also influence them. Similarly, activity 4, profile, measure and improve, is informed by the execution of online activities but there should be a feedback loop to update the tactics and strategies used.

Introduction to digital marketing communications

For many years, marketing campaigns were based on traditional media including TV, print and radio ads and direct mail supported by public relations. But, in a few short years, since the web concept was first proposed in the late 1980s by Sir Tim Berners-Lee, there have been huge changes in marketing communications. The digital equivalents of these traditional media, which are known as **digital media channels**, are vital components of most marketing campaigns today. For example, in an online campaign, marketers can use ads and content on social media to engage audiences: **display ads**, the familiar banner and skyscraper ads seen on many online publisher sites; **pay-per-click (PPC)** ads, such as the Sponsored Google Ads adverts in Google; **search engine optimisation (SEO)** to gain higher positions in the natural listings of Google; **affiliate marketing**, where sites that generate a sale for a merchant gain commission; and **email marketing**, which is most effective when messages are sent to an existing customer base – i.e. customers who have given their permission to receive them. Many of these digital communications

techniques are analogous to their traditional equivalents – for example, display ads are broadly equivalent to print or display ads and email marketing is equivalent to direct mail.

Digital media channels

Online communications techniques used to achieve goals of brand awareness, familiarity, favourability and to influence purchase intent by encouraging users of digital media to visit a website to engage with the brand or product, and ultimately to purchase online or offline through traditional media channels such as by phone or in-store.

Display ads

Use of graphical or *rich media ad units* within a web page to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to *rollover* to play videos, complete an online form or to view more details before clicking through to a site.

Pay-per-click (PPC)

PPC refers to when a company pays for text ads to be displayed on the search engine results pages as a sponsored link (typically above, to the right of or below the natural listings) when a specific keyphrase is entered by the search users. It is so-called because the marketer pays each time the hypertext link in the ad is clicked on. If a link is clicked repeatedly, then this will be detected by the search engine as click fraud and the marketer will not be charged.

Search engine optimisation (SEO)

A structured approach used to increase the position of a company or its products in search engine natural or organic results listings (the main body of the search results page) for selected keywords or phrases.

Affiliate marketing

A commission-based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers). Commission is usually based on a percentage of product sale price or a fixed amount for each sale, but may also be on a per-click basis, for example when an aggregator refers visits to merchants.

Email marketing

Typically applied to outbound communications from a company to prospects or customers to encourage purchase or branding goals. Email marketing is most commonly used for mailing

to existing customers on a housetlist, but can also be used for mailing prospects on a rented or co-branded list. Emails may be sent as part of a one-off campaign or can be automated, event-based, triggered emails, such as a welcome strategy that can be broadcast based on rules about intervals and customer characteristics.

But the approaches used to target the online audience are potentially very different, with personalisation based on the customer profile and previous interactions with communications giving many options to deliver more timely, relevant messages. (Personalised communications are also effective on the website, where **landing pages** are commonly used to make the page more relevant to what the customer is seeking.) Leading websites also provide great opportunities to engage the visitor through in-depth text content, **rich media** such as video and audio and participation in customer communities.

Landing page

A destination page when a user clicks on an ad or other form of link from a *referring site*. It can be a home page but more typically and desirably, a landing page is a page with the messaging focused on the offer in the ad. This will maximise conversion rates and brand favourability.

Rich media

Advertisements or site content that are not static, but provide animation, sound or interactivity. An example of this would be a display advertisement for a loan in which a customer can type in the amount of loan required, and the cost of the loan is calculated immediately.

Using digital media channels to support business objectives

Before we explain the different digital media channels, it is important to consider how they can support business goals. RACE ([Figure 1.9](#) and Preface [Figure P.1](#)) is a practical framework developed by Smart Insights (2010) to help marketers manage and improve the commercial value that their organisations gain from digital marketing. RACE is an evolution of the REAN (Reach–Engage–Activate–Nurture) framework originally developed by Xavier Blanc and popularised by Steve Jackson in his book *Cult of Analytics* (Jackson, 2009). It is intended to help create a simplified approach to reviewing the performance of online marketing and taking actions to improve its effectiveness. The measures introduced in [Figure 1.9](#) are covered in more depth in Chapters 4 and

10, where we explore the power of using **web or digital analytics** for improving marketing performance.

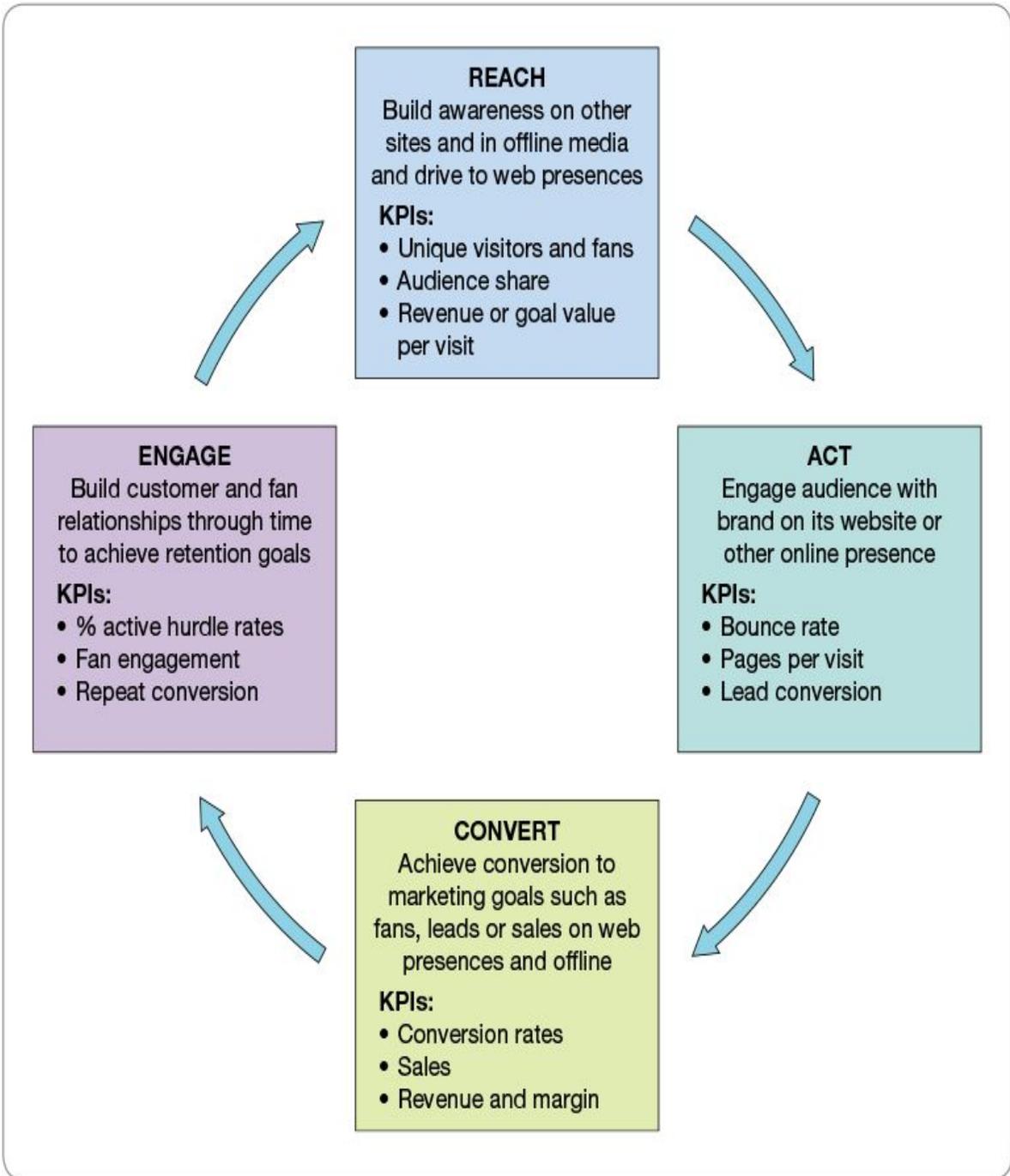
Web (or digital) analytics

Techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction surveys, leads and sales.

RACE consists of four steps designed to help engage prospects, customers and fans with brands throughout the customer lifecycle:

- **Step 1: Reach** – Build awareness of a brand, its products and services on other sites and in offline media and build traffic by driving visits to web and social media presences.
- **Step 2: Act** – Engage audience with brand on its website or other online presence to encourage them to interact with a company or other customers. In many sectors, the aim of the Act stage is lead generation, i.e. to gain permission to market to a prospect using email, SMS or mobile app notifications.
- **Step 3: Convert** – Achieve conversion to generate sales on web presences and offline.
- **Step 4: Engage** – Build customer relationships through time to achieve retention goals.

Figure 1.9 RACE: Reach–Act (Interact)–Convert–Engage



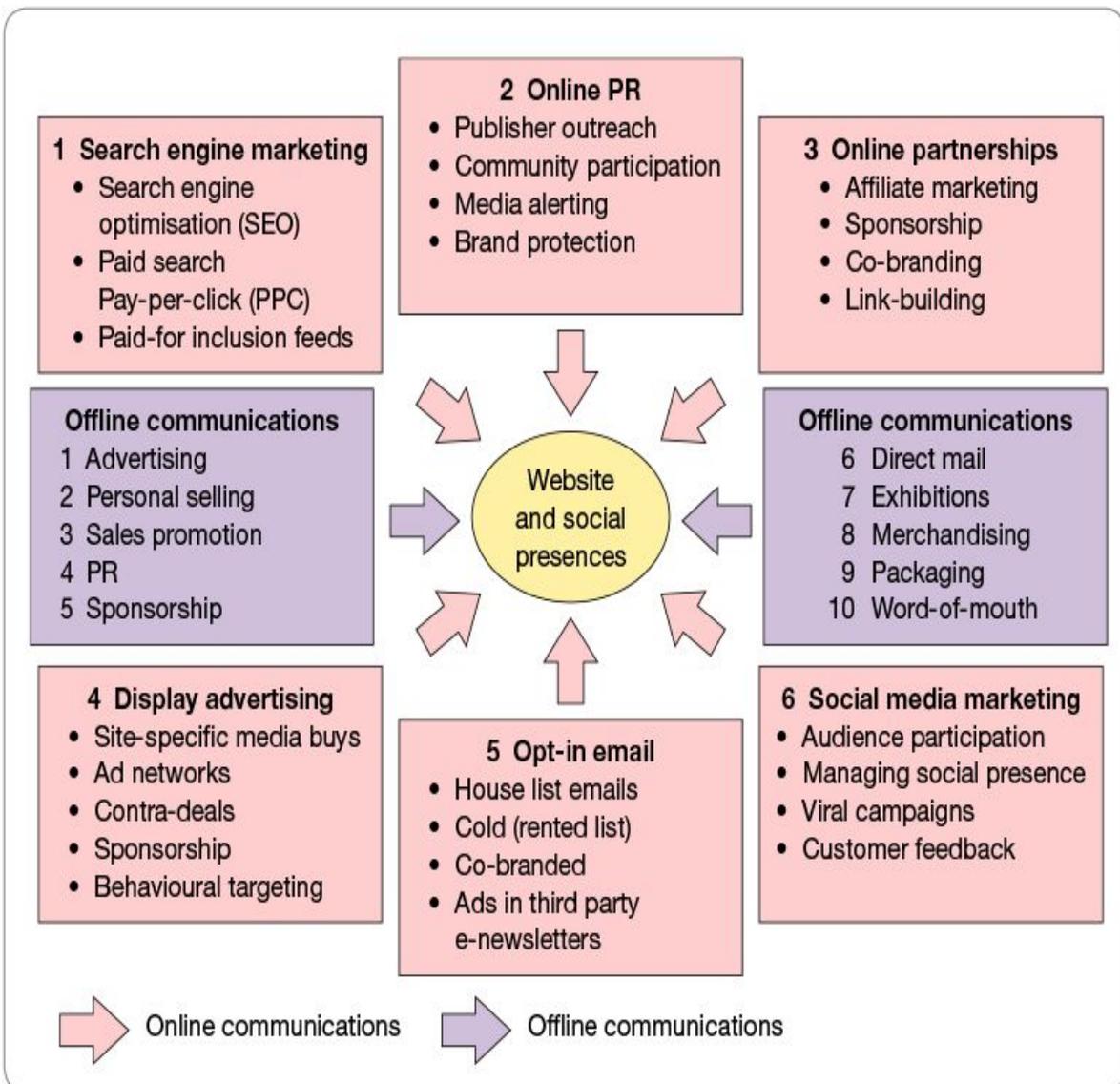
Source: Smart Insights (2010)

Digital channels always work best when they are integrated with other channels so, where appropriate, digital channels should be combined with the traditional offline media and channels. The most important aspects of integration are, first, using traditional media to raise awareness of the value of the online presences at the Reach and Act stages and, second, at the Convert and Engage steps where customers may prefer to interact with customer representatives.

The key types of digital media channels

There are many online communications tools that marketers must review as part of their communications strategy or as part of planning an online marketing campaign. To assist with planning, Chaffey and Smith (2017) recommend that these online marketing tools are divided into six main groups, as shown in Figure 1.10.

Figure 1.10 Six categories of digital communications tools or media channels



Source: Chaffey and Smith (2017)

In Chapters 8 and 9, we review these tools in detail, but this is the essence of each digital media channel:

1. **Search engine marketing.** Gaining visibility on a search engine to encourage click-through to a website when the user types a specific keyword phrase. Two key search marketing techniques are paid placements or sponsored links using pay-per-click, and placements in the natural or organic listings using search engine optimisation where no charge is made for clicks from the search engine.
2. **Online PR.** Maximising favourable mentions of your company, brands, products or websites on third-party websites such as social networks, blogs, podcasts or feeds that are likely to be visited by your target audience. Also includes responding to negative mentions and conducting public relations via a site through a social media news centre or blog, for example.
3. **Online partnerships.** Creating and managing long-term arrangements to promote your online services on third-party websites or through email communications. Different forms of partnership include link building, affiliate marketing, aggregators such as price comparison sites like Moneysupermarket™ (www.moneysupermarket.com), online sponsorship and co-marketing.
4. **Display advertising.** Use of online ads such as banners and rich media ads to achieve brand awareness and encourage click-through to a target site.
5. **Opt-in email marketing.** Placing ads in third-party e-newsletters or the use of an in-house list for customer activation and retention. Buying or renting lists of email addresses is considered as a spamming technique and not permitted under the privacy legislation described in [Chapter 4](#).
6. **Social media marketing.** Companies participate and advertise within social networks and communities to reach and engage their audience. Viral marketing or online word-of-mouth messages are closely related to this. Here content is shared or messages are forwarded to help achieve awareness and, in some cases, drive response.

Social media marketing is an important category of digital marketing that involves encouraging customer communications on a company's own site, or social presences such as Facebook or Twitter or in specialist publisher sites, blogs and forums. It can be applied as a traditional broadcast medium – for example, companies can use Facebook or Twitter to send messages to customers or partners who have opted in. However, to take advantage of the benefits of social media it is important to start and participate in customer conversations. These can be related to products, promotions or customer service

and are aimed at learning more about customers and providing support, thus improving the way a company is perceived.

Social media marketing

Monitoring and facilitating customer-to-customer interaction and participation throughout the web to encourage positive engagement with a company and its brands. Interactions may occur on a company site, social networks and other third-party sites.

The growth of social networks has been documented by Boyd and Ellison (2007), who describe social networking sites (SNS) as:

Web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system.

The interactive capabilities to post comments or other content and rate content are surprisingly missing from this definition.

Different types of social media marketing tools

There are many, many sites and tools that comprise what we call ‘social media’. To gain an idea of just how many, complete [Activity 1.4](#).

A social media site is much more than simply a website. From a technology viewpoint, most of these sites can be considered as software applications or web services, which give access to users at different levels of permission and then enable management and storage of different forms of user-generated content. Messaging is also an important feature of many of these sites, particularly the main social networks that will alert users when new content related to their content or connections is published. APIs for exchanging data with other web services interfaces are also a key feature of social networks that enable them to be more useful and allows them and their members to extend their reach and influence by incorporating social comments into other sites.

According to Weinberg and Ekin (2011), social media is neither a perfect substitute for traditional marketing, nor is it a one-size-fits-all. Marketers can use social media effectively by taking their message directly to consumers and focusing on traditional objectives. We will review social media marketing options in more detail in Chapters [6](#) and [9](#).

Activity 1.4: Assessing social media marketing platforms

Purpose

To explore the range of social media sites and tools, to categorise them and assess their business applications.

Activity

Visit the Conversation Prism (www.conversationprism.com), which is a visual map of the social media landscape. Identify the types of social media sites you and your colleagues use. How do you think the popularity of tools would differ for different types of B2B and B2C sites? Discuss how businesses should decide on the most important to invest in to achieve their goals.

Benefits of digital media

In the section on digital marketing strategy, we described some of the applications of digital marketing to support communications with customers across the purchase cycle from generating awareness, achieving direct response for lead generation or sale and supporting customer service and relationship marketing. In this section we explore key differences between digital media and traditional media that savvy marketers exploit.

Digital marketing communications differ significantly from conventional marketing communications because digital media enables new forms of interaction and new models for information exchange. A useful summary of the differences between new media and traditional media was originally developed by McDonald and Wilson (1999) and is still valid – they describe the ‘6Is of the e-marketing mix’, which are practical benefits of digital marketing that the marketer should exploit.

1 Interactivity

John Deighton was one of the first authors to identify these characteristics of a digital medium (Deighton, 1996):

- the customer initiates contact;
- the customer is seeking information or an experience (pull);

- it is a high-intensity medium – the marketer will have 100 per cent of the individual’s attention when he or she is viewing a website;
- a company can gather and store the response of the individual;
- individual needs of the customer can be addressed and taken into account in future dialogues.

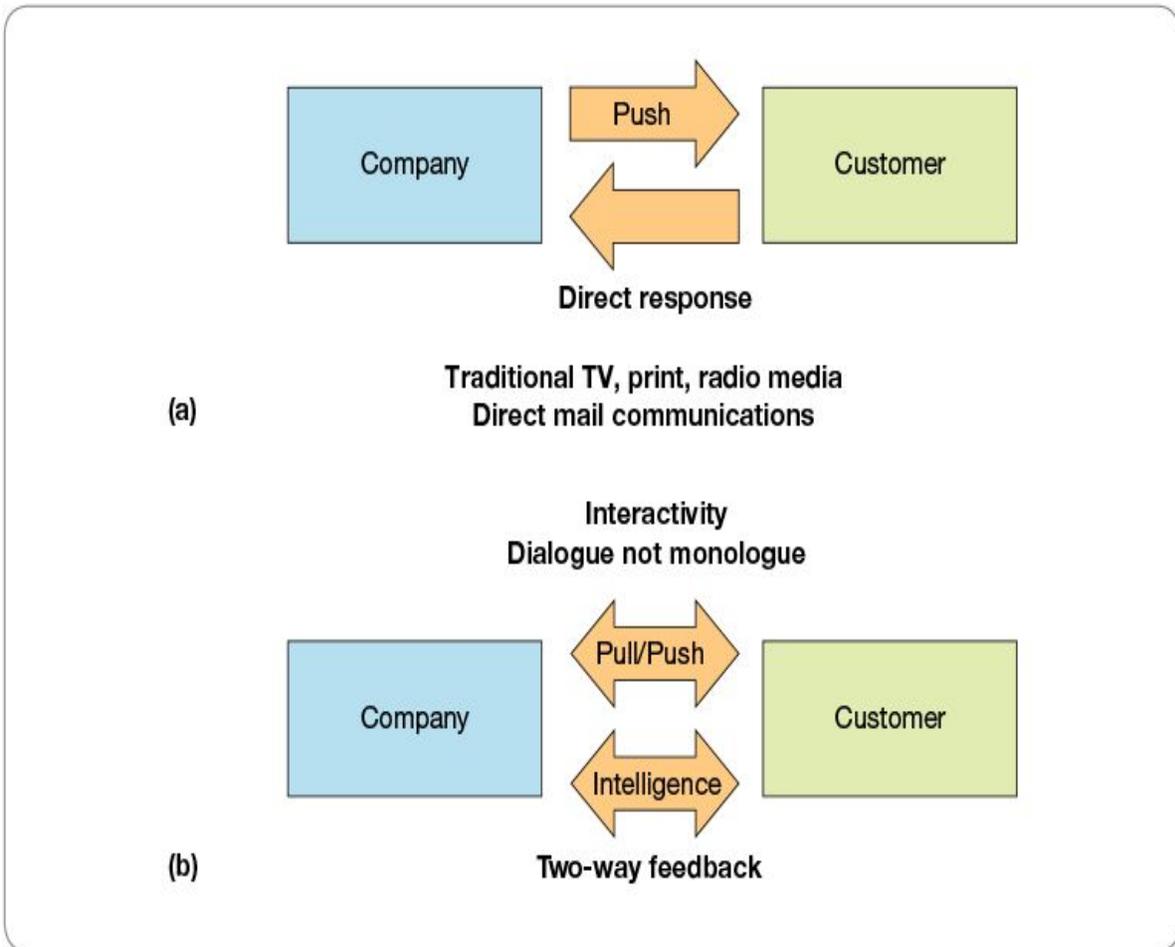
Figure 1.11(a) shows how traditional media are predominantly *push media* where the marketing message is broadcast from company *to* customer, although interaction can be encouraged through direct response to phone, website or social media page. However, online it is often the customer who initiates contact and is *seeking* information through researching information on a website. In other words, it is a ‘*pull*’ mechanism where it is particularly important to have good visibility in search engines when customers are entering search terms relevant to a company’s products or services. Amongst marketing professionals this powerful new approach to marketing is now commonly known as **inbound marketing** (Shah and Halligan, 2009). Inbound marketing is powerful since advertising wastage is reduced. Content and search marketing can be used to target prospects with a defined need – they are proactive and self-selecting. But this is a weakness since marketers may have less control than in traditional communications where the message is pushed out to a defined audience and can help generate awareness and demand.

Inbound marketing

The consumer is proactive in seeking out information for their needs, and interactions with brands are attracted through content, search and social media marketing.

Figure 1.11(b) shows how digital media should be used to encourage two-way communications, which may be extensions of the direct-response approach. For example, FMCG suppliers use their website or Facebook presence as a method of generating interaction by providing incentives such as competitions and sales promotions to encourage the customer to respond with their names, addresses and profile information such as age and sex.

Figure 1.11 Summary of communication models for (a) traditional media, (b) new media



2 Intelligence

Digital media and technology can be used as a relatively low-cost method of collecting marketing research, particularly about customer perceptions of products and services, as described in [Chapter 10](#), which reviews digital analytics and market research. Interactions with consumers across all the different touchpoints shown in [Figure 1.1](#), can be stored in **data lakes** or **data warehouses** to provide insight collectively known as ‘Big Data’.

Data lake and data warehouse

A data lake is a storage repository that holds a diversity of raw data in its native format where it is available for analysis and reporting by people across a company. This contrasts to a data warehouse, which contains structured data.

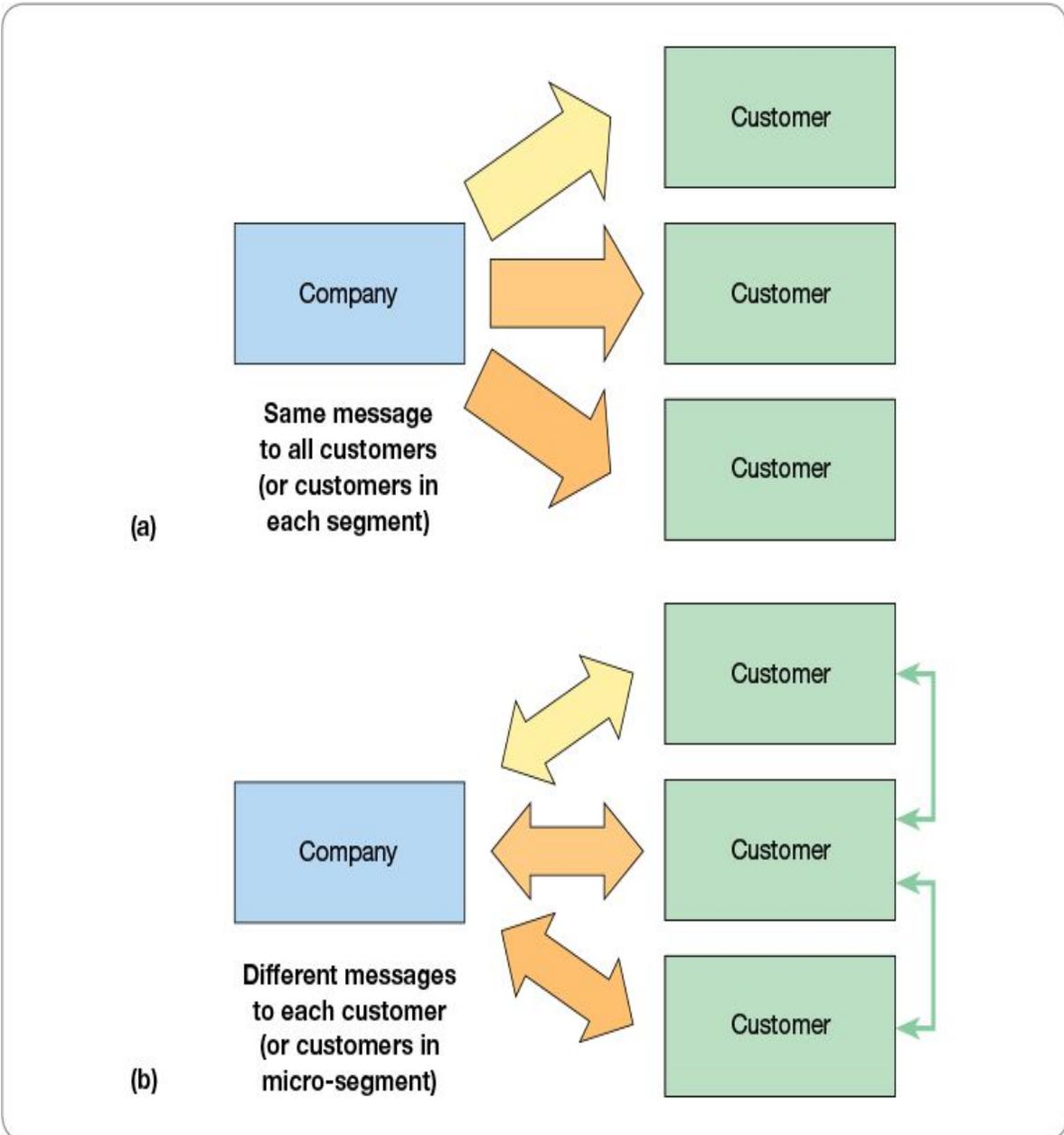
3 Individualisation

Another important feature of interactive marketing communications is that they can be tailored to the individual (Figure 1.12(b)) at relatively low costs, unlike in traditional media where the same message tends to be broadcast to everyone (Figure 1.12(a)). This individualisation is based on the intelligence collected about site visitors and then stored in a database and subsequently used to target and personalise communications to customers to achieve *relevance* in all media. The process of tailoring is also referred to as **personalisation** – Amazon is the most widely known example, where the customer is greeted by name on the website and receives recommendations on site and in their emails based on previous purchases. This ability to deliver **sense and respond communications** is another key feature of digital marketing and is explored further in Chapter 6.

Personalisation
Delivering individualised content through web pages or email.

Sense and respond communications
Customer behaviour is monitored at an individual level and the marketer responds with communications tailored to the individual's need.

Figure 1.12 Summary of degree of individualisation for: (a) traditional media (same message); (b) new media (unique messages and more information exchange between customers)



4 Integration

The Internet provides further scope for integrated marketing communications. [Figure 1.13](#) shows the role of the Internet in multichannel marketing. When assessing the marketing effectiveness of a website, the role of the Internet in communicating with customers and other partners can best be considered from two perspectives. First, there is **outbound digital communications** from *organisation to customer*. We need to ask how does the Internet complement other channels in communicating the proposition for the company's products and services to new and existing customers with a view to generating new leads

and retaining existing customers? Second, **inbound digital communications** from *customer to organisation*: how can the Internet complement other channels to deliver customer service to these customers? Many companies have now integrated email response and website callback into their existing call centre or customer service operation.

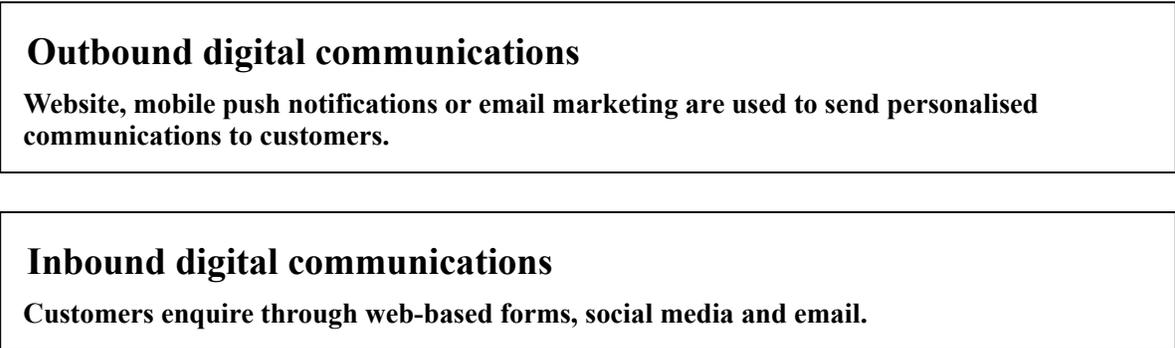
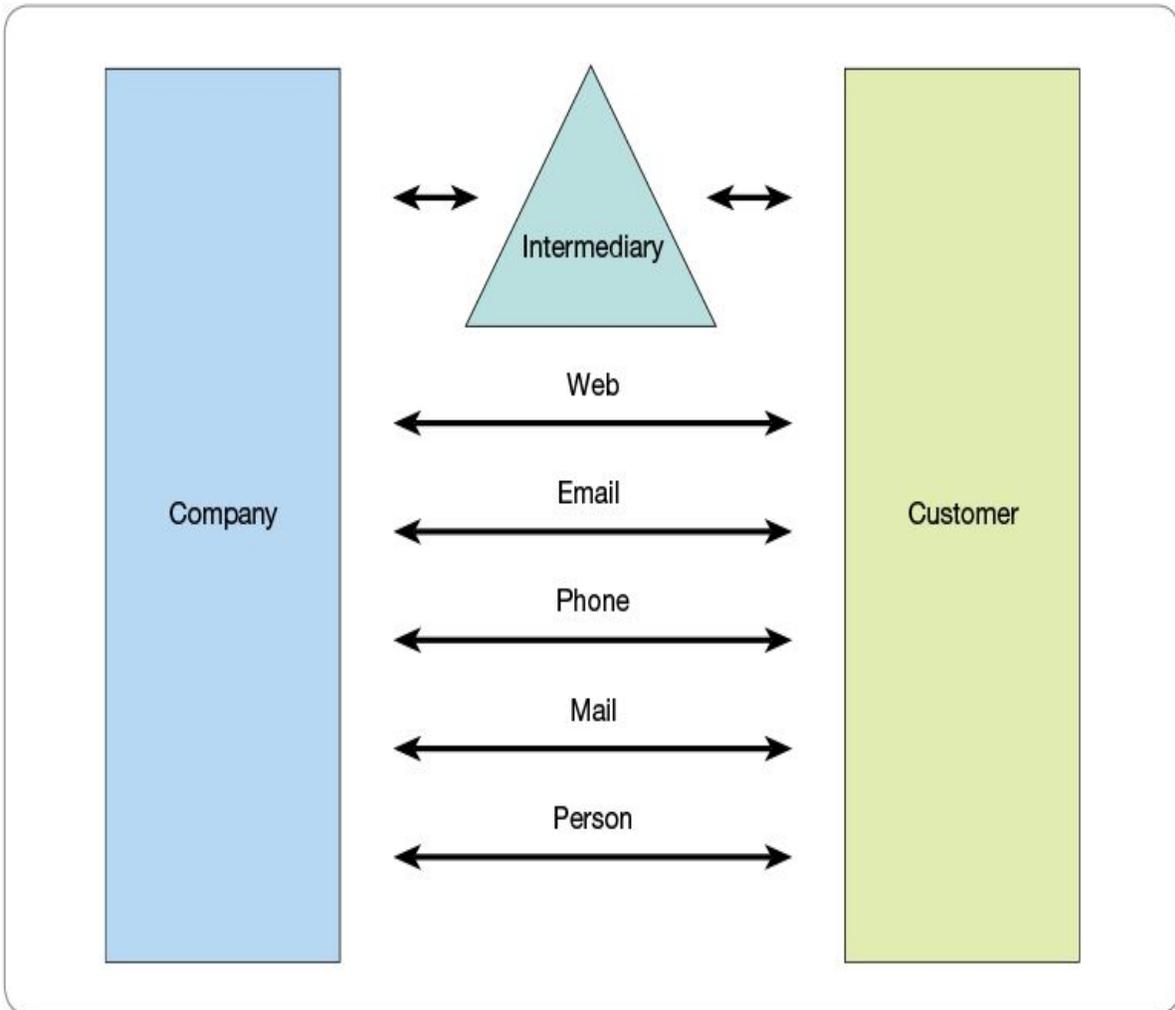


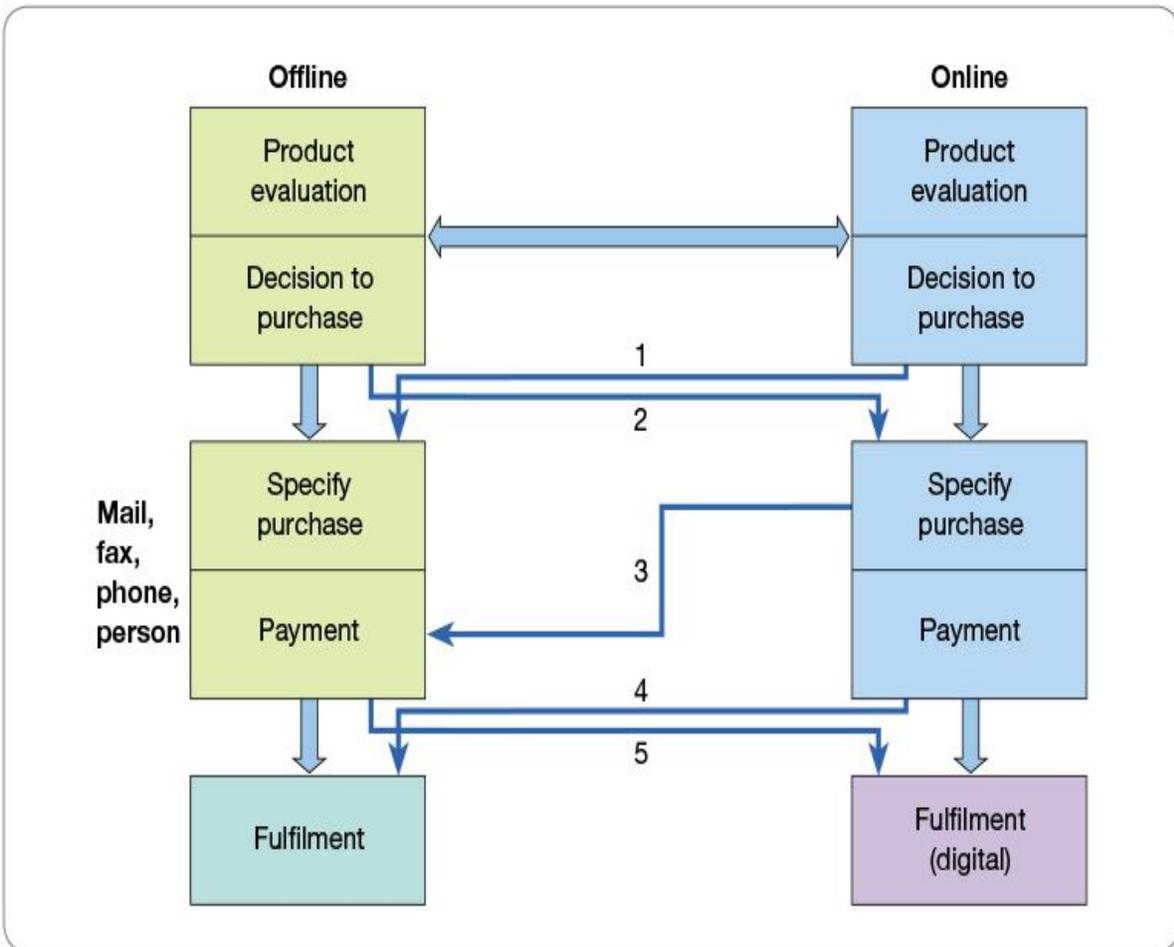
Figure 1.13 Channels requiring integration as part of integrated digital marketing strategy



Some practical examples of how the Internet can be used as an integrated communications tool as part of supporting a multichannel customer journey (Figure 1.14) are the following:

- The Internet can be used as a direct-response tool, enabling customers to respond to offers and promotions publicised in other media.
- The website can have a direct response or callback facility built into it. The Automobile Association™ has a feature where a customer service representative will contact a customer by phone when the customer fills in their name, phone number and a suitable time to ring.
- The Internet can be used to support the buying decision, even if the purchase does not occur via the website, through assisted selling via live chat or phone. For example, Dell™ has a prominent web-specific phone number on its website that encourages customers to ring a representative in the call centre for support.

Figure 1.14 The role of mixed-mode buying in digital marketing



5 Industry restructuring

Disintermediation and **reintermediation** are key concepts of industry restructuring that should be considered by any company developing a digital marketing strategy and are explored in more detail in Chapters 2, 4 and 5.

Disintermediation

The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers.

Reintermediation

The creation of new intermediaries between customers and suppliers providing services such as supplier search and product evaluation.

Activity 1.5: Integrating online and offline communications

Purpose

To highlight differences in marketing communications introduced through the use of the Internet as a channel and the need to integrate these communications with existing channels.

Activity

List communications between a PC vendor and a home customer over the lifetime of a product such as a PC. Include communications using both the Internet and traditional media. Refer to channel-swapping alternatives in the buying decision in [Figure 1.14](#) to develop your answer.

For marketers defining their company's communications strategy it becomes very important to consider the company's representation on these intermediary sites by answering questions such as 'Which intermediaries should we be represented on?' and 'How do our offerings compare to those of competitors in terms of features, benefits and price?'

6 Independence of location

Electronic media also introduce the possibility of increasing the reach of company communications to the global market. This gives opportunities to sell into international markets, which may not previously have been possible. The Internet makes it possible to sell to a country without a local sales or customer service force (although this may still be necessary for some products).

Mini case study 1.3: Online pureplay startup Travel Republic™ achieves growth through taking advantage of benefits of digital marketing

Travel Republic is the highest ranking independent online travel agent in the UK, with over 2 million travellers booking every year. It's an example of a pureplay that has deployed digital marketing techniques such as search, social media and email marketing to grow both in the UK and internationally.

Travel Republic topped *The Sunday Times* Virgin Fast Track 100 list four years after the company was launched. The Kingston-upon-Thames-based business was set up in 2003 and is the brainchild of three university friends – Paul Furner, managing director, Chris Waite, IT director, and Kane Pirie, finance and operations director.

Today the company can no longer be termed a startup. It has been purchased by the Emirates group, with revenues increasing 14.5 per cent in 2014 to £67.5 million, giving it an operating profit margin of 20 per cent and with separate sites for local audiences in Spain, Italy and Ireland.

The company employs more than 150 staff. TravelRepublic.co.uk appears in the IMRG-Hitwise Hot Shops List, which ranks the UK's top 50 most popular Internet retailers, across all sectors (ranked by number of web visitors). In the online travel agency sector TravelRepublic.co.uk is more popular than [Opodo™](http://Opodo.com) and [ebookers.com™](http://ebookers.com), although [Expedia™](http://Expedia.com) and [lastminute.com™](http://lastminute.com) rank higher.

A major reason for the growth of Travel Republic is that it has taken advantage of the 'pull' effect of web communications. Through using sponsored links in search networks such as Google Ads, it has been able to target its offering precisely to an online audience looking for a competitive price on a holiday or a flight to a particular destination. Of course, this has to be backed up by a strong proposition, an easy-to-use, high-performance website and trust in the brand indicated by user reviews and holiday guarantees ([Figure 1.15](#)). TravelRepublic.co.uk caters for a broad range of customers including families, couples and groups. The website offers charter, low-cost and scheduled airlines, powerful rate-shopping technology for hotel rooms and apartments, plus hotel reviews and resort guides written by its customers.

Customers can save up to 50 per cent on the price of a comparable package holiday purchased online or on the high street. TravelRepublic.co.uk works with over 100 different flight operators and offers flights to more than 200 destinations. The website also offers over 30,000 discounted hotels, apartments and villas plus a wide range of other services such as taxi transfers, airport parking and car hire. The website gives customers complete flexibility with flights, hotels and durations.

In terms of deploying campaigns, these are further benefits of digital communications:

- **Accountability.** Digital media are potentially more accountable through the use of measurement systems known collectively as web analytics. Google provides a free tool known as Google Analytics™ (www.google.com/analytics) to enable its advertisers to test the value generated from its ads.
- **Testing.** Potentially, testing becomes more straightforward at a lower cost with the option to trial alternative creative executions, messaging or offers. Google offers another free tool – the Website Optimizer – to test alternative landing pages.
- **Flexibility.** Campaigns can be more flexible, with the capability to change copy or offers during a campaign. Alternative ads can be served within

Google to evaluate which works best. Google AdWords also offers dayparting, where ads can be displayed at different times of the day.

- **Micro-targeting.** Alternative messages can be delivered for different audiences according to what they are searching for. Potentially a company can show a different advert in Google AdWords for each term searched on.
- **Cost-control.** Costs can be controlled for each group of search terms entered by customers through the search engine, managed collectively, and bids made can be increased or decreased with the aid of software.

Key challenges of digital communications

It is sometimes suggested by some suppliers of digital media that they are ‘quick, cheap and easy’ to deploy. This is a great misconception since there are many challenges that need to be overcome when managing digital campaigns. Again referring to a Google Ads campaign as an example, these include:

- **Complexity.** To enable the benefits we have mentioned above – such as personalisation, testing and dynamic variation in ads through time – time has to go into configuring the campaign, although the search engines provide defaults to enable easy setup. This requires specialist expertise either in-house or at an agency to manage the campaign.
- **Responding to competitors.** Since competitors can also change their approach readily, more resource has to be used to monitor competitor activity. Automated tools known as bid management tools can assist with this – they will automatically check amounts competitors are paying and then adjust them according to pre-defined rules.
- **Responding to changes in technology and marketing platforms.** Google and the other ad-serving companies innovate to offer better capabilities for their customers. This means that staff managing campaigns need training to keep up-to-date. Google offers ‘Adwords Qualified Professionals’ so that companies can be certain of a minimum skills level.
- **Cost.** Although costs can be readily controlled, in competitive categories the costs can be high, exceeding €10 per click.
- **Attention.** While online paid search ads are highly targeted and there is arguably little wastage, not everyone will view paid adverts, indeed there is a phenomenon known as ‘banner blindness’ where web users ignore online ads (see [Chapter 9](#) for more details). Engaging with the audience with advertising is also a problem in social networks and other publisher sites, which can lead to a very low rate of people clicking on ads.

Key communications concepts for digital marketing

In this section, we introduce three key concepts that underpin digital communications and inbound marketing across the digital media we have introduced in this chapter:

1. permission marketing;
2. content marketing;
3. customer engagement.

1 Permission marketing

Permission marketing is an established approach to online marketing that is still highly relevant today as a practical foundation for CRM and audience engagement. ‘Permission marketing’ was a term coined by Seth Godin. Godin (1999) noted that while research used to show we were bombarded by 500 marketing messages a day, with the digital media fragmentation caused by the advent of the web and digital TV, this has now increased to over 3,000 a day! From an organisation’s viewpoint, this leads to a dilution in the effectiveness of the messages – how can the communications of any one company stand out? From the customer’s viewpoint, time is seemingly in ever shorter supply; customers are losing patience and expect reward for their attention, time and information. Godin refers to the traditional approach as **interruption marketing**. Permission marketing is about seeking the customer’s permission before engaging them in a relationship and providing something in exchange. The classic exchange is based on information or entertainment – a B2B site can offer a free report in exchange for a customer sharing their email address or ‘Liking’ a brand, while a B2C site can offer a newsletter or access to their wall with valuable content and offers. We cover the principles of permission marketing in more detail and with examples related to CRM in [Chapter 6](#).

Permission marketing

Customers agree (opt in) to be involved in an organisation’s marketing activities, usually as a result of an incentive.

Interruption marketing

Marketing communications that disrupt customers’ activities.

2 Content marketing

Success in permission marketing requires exceptional, compelling content. To emphasise the importance of content marketing to gaining permission, encouraging sharing and ongoing engagement through websites and social media, the concepts of **content marketing** and content strategy have developed to describe best-practice approaches to engaging audiences and achieving business outcomes through content. Today, by content we refer to the combination of static content forming web pages, but also dynamic rich media content that encourages interaction. Videos, podcasts, user-generated content and interactive product selectors and quizzes should also be considered as content that should be refined to engage issues.

Content marketing

The management of text, rich media, audio and video content aimed at engaging customers and prospects to meet business goals published through print and digital media including web and mobile platforms which is repurposed and syndicated to different forms of web presence such as publisher sites, blogs, social media and comparison sites.

You can see the challenge content strategy presents, since today there are so many different types of content delivered in different forms to different places on different access platforms, yet it is increasingly important to engage customers in social media.

The definition suggests these elements of content marketing strategy need to be planned and managed:

1. **Goals for content engagement value.** Which types of content will engage the audience and support conversion to a lead or sale? Is it simple product or services information, a guide to buying or using a product or service, that will engage your audience at different points in the lifecycle shown in [Figure 1.1](#)?
2. **Content media.** Plain text, rich media such as Flash or Rich Internet applications or mobile apps (see [Chapter 3](#)), audio (podcasts) and hosted and streamed video. Even plain text offers different format options from HTML text to ebook formats and PDFs.
3. **Content distribution.** Major distribution activities that are a key part of content marketing are paid promotion of content through ads, for example on Facebook, Google or LinkedIn, and free organic promotion through SEO and social media. PR using influencer outreach is also important.

Content can also be automatically syndicated to different types of sites through feeds, APIs, microformats or embedded in sites through widgets displaying information delivered by a feed.

4. **Content interaction and participation.** Effective content today is not simply delivered for static consumption, it should enable interaction, commenting, ratings and reviews. These also need to be monitored and managed both in the original location and where they are discussed elsewhere.
5. **Content management platform.** Content needs to be managed by teams and provided to users on different digital devices. We explain how to audit content as part of the overall digital experience in [Chapter 7](#).

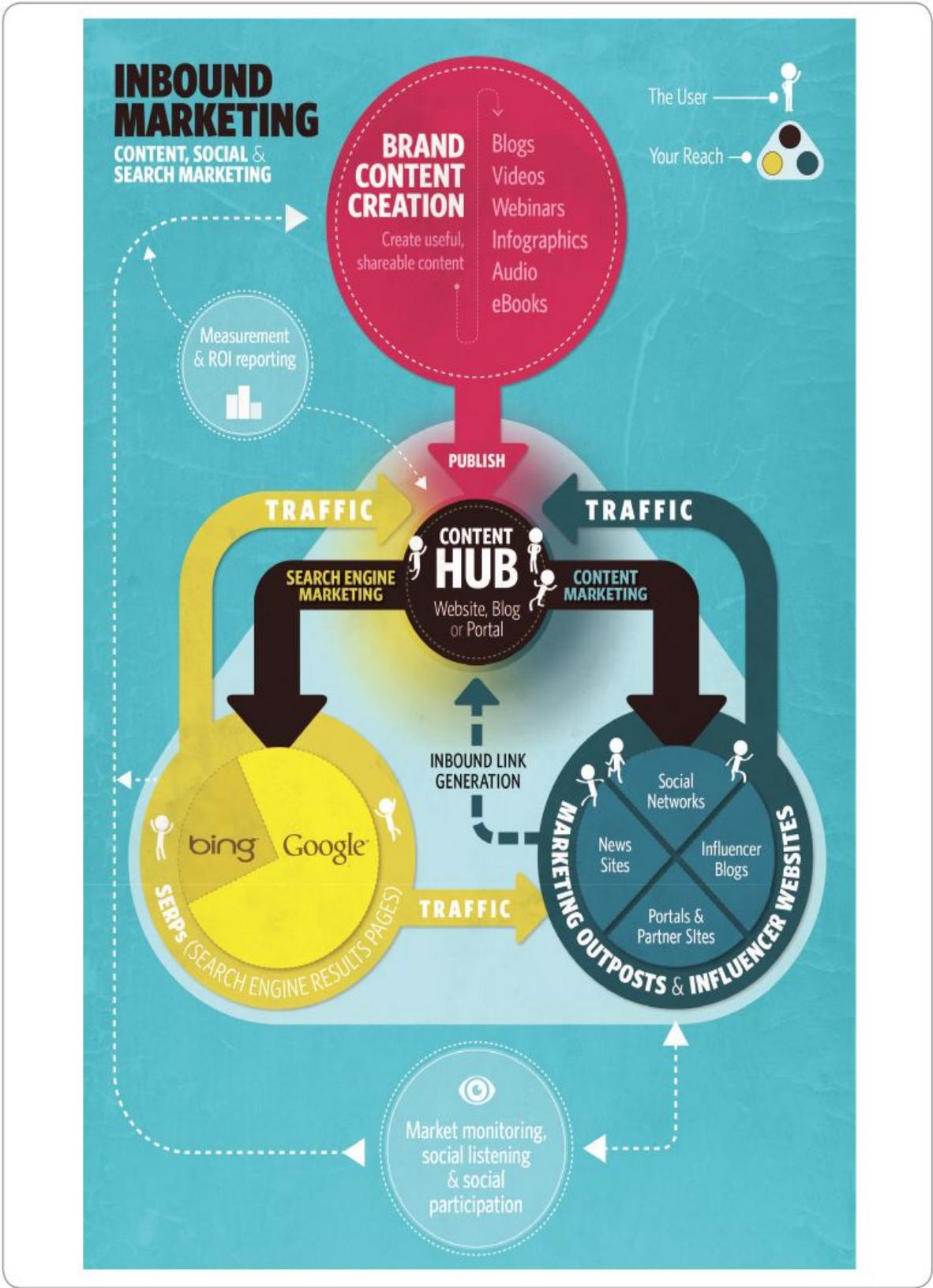
Smart Insights (2015a) explains the key elements of a content hub using the diagram shown in [Figure 1.15](#), or, as it puts it, a ‘content marketing machine’:

1. Create the right types of sharable content formats to meet customer interests and company commercial goals. The quality and range of content must be sufficient and sustained to compete. (In [Chapter 9](#), the Smart Insights Content Marketing Matrix is presented as a method of reviewing the most appropriate content formats to use.)
2. A defined branded **content marketing hub** or repository for accessing all relevant content marketing assets.
3. Invest in seeding content and working with partner sites and influencers to increase awareness and sharing of content.
4. Content marketing should be linked into search marketing and particular search marketing, since if there is a regular stream of quality content Google will favour the site when searchers are looking for information or products.
5. The right people, process and tools need to be in place to monitor content and sharing effectiveness in social media. This should include following up on any comments from social media.

Content marketing hub

A central branded location where your audience can access and interact with all your key content marketing assets. In a practical sense, the content hub can be a blog or new section, an online customer magazine or a resource centre.

Figure 1.15 The content marketing hub



Source: Smart Insights (2015a)

3 Customer engagement

This difficulty in gaining and keeping the attention of audiences across today's fragmented media landscape has led to the emergence of the concept of **customer engagement** as a key challenge with which digital marketers are increasingly concerned.

Customer engagement

Repeated interactions through the customer lifecycle prompted by online and offline communications aimed at strengthening the long-term emotional, psychological and physical investment a customer has with a brand.

We need to be careful to precisely define engagement since the term is often used loosely to describe short-term audience engagement with a single communication, such as when a prospect engages with a single landing page, email or social media update. While this short-term interaction is important to boost response from these communications, what is arguably more important to business success today, and far more challenging, is *long-term engagement through time with our prospects, customers and subscribers*. There are so many competing paid, owned and earned communications today across media sites, blogs, social media and email, that content marketing is critical to get initial cut-through and then maintain ongoing interactions as suggested by the lifecycle in [Figure 1.1](#).

Adestra (2017) describes customer engagement as:

Repeated interactions through the customer lifecycle prompted by online and offline communications aimed at strengthening the long-term emotional, psychological and physical investment a customer has with a brand.

This builds on the definition from Haven (2007), stating that customer engagement is:

The level of involvement, interaction, intimacy, and influence an individual has with a brand over time.

The two biggest barriers to marketers achieving engagement, according to Adestra (2017), are gaining a single data view (31 per cent of respondents agreed) and lack of an integrated customer lifecycle engagement plan (according to 25 per cent of respondents).

Arguably, the biggest difference in communications introduced by the growth of digital media and the web is the capability, or many would say necessity, to include customer's conversations as an integral part of communications. Today, proactively managing consumer participation that occurs through social networks such as Facebook, Twitter and LinkedIn, video postings and comments on YouTube and myriad blogs and forums is essential, since when a positive sentiment is expressed by a real person independent from a company, this confers credibility on the company.

Equally, there are negative sentiments or comments made by consumers on the web that need to be managed. For example, on one site (www.haveyoursay.com) a purchaser of a car was highly critical about a make of car and the comments appeared near the top of the Google search results page when someone searched for the brand, yet for several years the manufacturer did nothing to manage this. We review techniques to build relationships in order to increase audience engagement through time in [Chapter 6](#).

To conclude this chapter, read [Case Study 1](#) for the background on the success factors that have helped build one of the biggest online brands.

Case study 1: eBay thrives in the global marketplace

Context

It's hard to believe that one of the most well-known dot.coms has now been established more than 20 years. Pierre Omidyar, a 28-year-old French-born software engineer living in California, coded the site while working for another company, eventually launching the site for business in September 1995 with the more direct name 'Auction Web'. Legend reports that the site attracted no visitors in its first 24 hours. The site became eBay in 1997. At the end of 2017 eBay had 168 million 12-month active buyers, an increase from 90 million active in 2010. Nearly two-thirds of transactions are now international. This shows how established pureplays have continued to grow with global adoption of the web.

This summary and others in the text are based on the SEC filing of the business. The Security and Exchange Commission (SEC) required by company law in the US gives deep, relatively hype-free insights on the main online platforms based in the US and is recommended for students studying these types of business to show the success and risk factors.

Mission

eBay describes its purpose as to ‘pioneer new communities around the world built on commerce, sustained by trust, and inspired by opportunity’. eBay’s 2016 report describes the company’s view on current marketing approaches of exploiting Big Data and Artificial Intelligence:

To deliver the most relevant shopping experience, we continue our efforts to better understand, organise and leverage eBay’s inventory. With our structured data initiative, we are able to begin organising our vast inventory around products rather than listings and aggregate insights into supply and demand. We continue to broaden the coverage of structured data, which enables us to create and start rolling out new consumer experiences that are modern, simple and differentiated. One of our goals is to deliver a more personalised shopping experience by determining what products to show our consumers and highlight the incredible price and selection advantages that eBay often provides across categories.

eBay is best known for its retail marketplaces, with a core mission to ‘create the world’s online marketplace’. In its most recent annual report, it describes its vision as to be present where people spend the majority of their time online, becoming part of the ‘fabric’ of their day-to-day online experience. Another marketplace owned by eBay is StubHub, one of the largest ticket marketplaces, with a footprint of 48 countries. PayPal is also part of eBay. The Paypal business was acquired in 2003 but was repurchased at a later date and now trades separately. This case focuses on the best known eBay business, the eBay Marketplace.

Revenue model

The vast majority of eBay’s revenue is for the listing and commission on completed sales. For PayPal purchases an additional commission fee is charged. The margin on each transaction is phenomenal since once the infrastructure is built, incremental costs on each transaction are tiny – all eBay is doing is transmitting bits and bytes between buyers and sellers. To grow revenue, eBay has acquired and developed other sites such as comparison site [Shopping.com](#) and StubHub (event tickets). eBay has also created vertical formats, such as Classifieds, Daily Deals, Fashion, Motors (vehicles, parts and accessories) and Electronics.

eBay also expanded into providing infrastructure for other retailers in 2011 with its purchase of GSI, a provider of e-commerce and interactive marketing services encompassing websites and fulfilment centres to enterprise clients that include some of the world’s leading brands and retailers covering merchandise categories including apparel, sporting goods, toys and baby, health and beauty and home.

Advertising and other non-transaction net revenues represent a relatively small proportion of total net revenues and the strategy is that this should remain the case.

Proposition

The eBay Marketplace is well known for its core service, which enables sellers to list items for sale on an auction or fixed-price basis, giving buyers the opportunity to bid for and purchase items of interest.

Software tools are provided, particularly for frequent traders, including Turbo Lister, Seller’s Assistant, Selling Manager and Selling Manager Pro, which help automate the selling process, the Shipping Calculator, Reporting tools, etc. Today over 60 per cent of listings are facilitated by software, showing the value of automating posting for frequent trading. An example of a new Shopper feature that is part of its OVP is the eBay ShopBot on Facebook

Messenger. This uses Artificial Intelligence to provide a personalised shopping assistant that helps people find the best deals from eBay's one billion listings.

Fraud is a significant risk factor for eBay. To respond, eBay has developed 'Trust and Safety Programs', which are particularly important to reassure customers since online services are prone to fraud. For example, the eBay feedback forum can help establish credentials of sellers and buyers. Every registered user has a feedback profile that may contain compliments, criticisms and/or other comments by users who have conducted business with that user. The Feedback Forum requires feedback to be related to specific transactions, and Top Seller status was introduced in 2010 to increase trust in the service. There is also a Safe Harbour data protection method and a standard purchase protection system.

eBay has increased use of mobile commerce since 2009 as consumer habits have changed. Mobile accounted for 20 per cent of purchases in 2014 and by the end of 2017 eBay related that more than 50 per cent of sales involved at least one mobile touch point.

According to the SEC filing, eBay summarises the core messages to define its proposition as follows:

For buyers

- trust;
- value;
- selection;
- convenience.

For sellers

- access to broad markets;
- cost-effective marketing and distribution;
- access to large buyer base;
- good conversion rates.

In 2007, eBay introduced Neighbourhoods (<http://neighbourhoods.ebay.com>), where groups can discuss brands and products they have high involvement with. This social commerce experiment has now ended.

In January 2008, eBay announced significant changes to its Marketplaces business in three major areas: fee structure, seller incentives and standards, and feedback. These changes have been controversial with some sellers, but are aimed at improving the quality of experience. Detailed Seller Ratings (DSRs) enable sellers to be reviewed in four areas: (1) item as described; (2) communication; (3) delivery time; and (4) postage and packaging charges. This is part of a move to help increase conversion rate by increasing positive shopping experiences, for example by including more accurate descriptions with better pictures and avoiding excessive shipping charges. Powersellers with positive DSRs will be featured more favourably in the search results pages and will gain additional discounts.

Competition

Although there are now few direct competitors of online auction services in many countries, there are many indirect competitors. The SEC filings describe competing channels as including online and offline retailers, distributors, liquidators, import and export companies,

auctioneers, catalogue and mail-order companies, classifieds, directories, search engines, products of search engines, virtually all online and offline commerce participants and online and offline shopping channels and networks. Amazon is one of the biggest competitors since it also has marketplace sellers integrated into its products listings. eBay's latest SEC filing notes: 'Consumers and merchants who might use our sites to sell goods also have many alternatives, including general ecommerce sites, such as Amazon and Alibaba, and more specialised sites, such as Etsy.'

Competitive factors today are listed as:

- ability to attract, retain and engage buyers and sellers;
- volume of transactions and price and selection of goods;
- trust in the seller and the transaction;
- customer service;
- brand recognition;
- community cohesion, interaction and size;
- website, mobile platform and application ease-of-use and accessibility;
- system reliability and security;
- reliability of delivery and payment, including customer preference for fast delivery and free shipping and returns;
- level of service fees
- quality of search tools.

Objectives and strategy

The overall eBay aims are to increase the gross merchandise volume and net revenues from the eBay Marketplace. More detailed objectives are defined to achieve these aims, with strategies focusing on:

1. **Acquisition:** increasing the number of newly registered users on the eBay Marketplace.
2. **Activation:** increasing the number of registered users who become active bidders, buyers or sellers on the eBay Marketplace.
3. **Activity:** increasing the volume and value of transactions that are conducted by each active user on the eBay Marketplace.

The focus on each of these three areas will vary according to strategic priorities in particular local markets.

eBay Marketplace growth is also driven by defining approaches to improve performance in these areas. First, category growth is achieved by increasing the number and size of categories within the marketplace, for example: Antiques, Art, Books and Business & Industrial. Second, formats for interaction: the traditional format is auction listings, but it has been refined now to include the 'Buy-It-Now' fixed-price format. This fixed-price listing now accounts for well over half of all transactions.

eBay's growth strategy

In its SEC filings, success factors eBay believes are important to enable it to compete in its market include:

- ability to attract buyers and sellers;
- volume of transactions and price and selection of goods;

- customer service;
- brand recognition.

According to its 2010 SEC filing:

Our growth strategy is focussed on reinvesting in our customers by improving the buyer experience and seller economics by enhancing our products and services, improving trust and safety and customer support, extending our product offerings into new formats, categories and geographies, and implementing innovative pricing and buyer retention strategies.

Search marketing is a key technique for eBay to meet its aim to become part of the ‘fabric’ of their customers’ day-to-day online experience. If you search for ‘low-cost hair curlers’ or similar you will see eBay features both in the sponsored results (Google Shopping ads with images) and within the organic results.

It also notes that in the context of its competitors, other factors it believes are important are:

- community cohesion, interaction and size;
- system reliability;
- reliability of delivery and payment;
- website convenience and accessibility;
- level of service fees;
- quality of search tools.

This implies that eBay believes it has optimised these factors, but its competitors still have opportunities for improving performance in these areas, which will make the market more competitive.

Updating brand positioning using traditional media

In an interview with eBay UK marketing director Gareth Jones in, *Marketing Week* (2016), he explained that: ‘We don’t want to be defined by that online car boot sale reputation anymore. We need to get people to consider eBay in a completely different way. The UK is the petri dish for testing a new approach to rebuilding the brand globally. It is all about a shift away from the marketplace and over to being the ultimate shop.’

He is candid that a past focus on prioritising digital channels has had a ‘small impact’ on changing eBay’s perception. Despite stating we’re in an age of digital-based marketing, he believes TV is the best channel for brand building. This is based on regional tests in the Summer that proved TV is the best place to get people to reappraise eBay as a brand:

TV is still on fire and a wonderful medium to get neurons into people’s brands in order to rewire their perceptions. If you ask someone where they are shopping on Black Friday then TV is the best place to put eBay at the front of their consideration set.

Source: BBC (2005) eBay’s 10-year rise to world fame. Robert Plummer story from BBC News, 2 September. <http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/4207510.stm> (accessed May 2018); SEC (2008) United States Securities and Exchange Commission submission Form 10-K; eBay submission for the fiscal year ended 31 December 2007.

Question

Discuss how eBay has had to evolve its online brand proposition and communicate it to achieve continued growth.

Summary

1. Digital marketing refers to the use of digital media, technology and data to reach and interact with audiences using different digital devices and platforms, combined with traditional media, to achieve marketing objectives.
2. A customer-centric approach to digital marketing considers the needs of a range of customers using techniques such as personas and customer scenarios ([Chapter 2](#)) to understand customer needs in a multichannel buying process. Tailoring to individual customers may be practical using personalisation techniques.
3. Electronic commerce refers to both electronically mediated financial and informational transactions.
4. Digital business is a broader term referring to how technology can benefit all internal business processes and interactions with third parties. This includes buy-side and sell-side e-commerce and the internal value chain.
5. E-commerce transactions include business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C) and consumer-to-business (C2B) transactions.
6. There are six key digital media channels: search marketing (including organic and paid); online PR; partnership (affiliate) marketing; display advertising; email; and social media marketing. These communications techniques are best used in an integrated form by applying the concepts of content, inbound and permission marketing.
7. Digital communications are used to develop existing markets through enabling an additional communications and/or sales channel with potential customers. They can be used to develop new international markets with a reduced need for new sales offices and agents. Companies can provide new services and possibly products using the Internet.
8. Digital marketing can support the full range of marketing functions and in doing so can help reduce costs, facilitate communication within and between organisations and improve customer service.
9. Interaction with customers, suppliers and distributors occurs across the Internet. The web and email are particularly powerful if they can be used

to create relevant, personalised communications.

10. The marketing benefits the Internet confers are advantageous both to the large corporation and to the small or medium-sized enterprise. These include:
 - a new medium for advertising and PR;
 - a new channel for distributing products;
 - opportunities for expansion into new markets;
 - new ways of enhancing customer service;
 - new ways of reducing costs by reducing the number of staff in order fulfilment.

Exercises

Self-assessment exercises

1. Explain digital marketing.
2. Explain the importance of integrating digital and traditional communications channels through the customer lifecycle.
3. Outline different applications of digital marketing that can help meet business goals.
4. Explain what is meant by electronic commerce, social commerce and digital business. How do they relate to the marketing function?
5. Six digital media channels are introduced in this chapter. What are they and how do they work to reach, engage and convert an audience?
6. Summarise the main communications differences between digital and traditional media.
7. Distinguish between social media marketing, inbound and content marketing.
8. How can digital marketing be used to develop new markets and penetrate existing markets? What types of new products can be delivered by the Internet?

Essay and discussion questions

1. Some would see digital media primarily as a means of advertising and selling products. What are the opportunities for digital marketing?
2. 'Digital marketing and inbound marketing represents a pull medium for marketing rather than a push medium.' Discuss.

3. You are a newly installed marketing manager in a company selling products in the business-to-business sector. Currently, the company has only a limited website containing electronic versions of its brochures. You want to convince the directors of the benefits to the company of investing in the website. How would you present your case?
4. Explain the main benefits that a company selling fast-moving consumer goods should gain from its website and integrated digital campaigns.

Examination questions

1. Explain the scope of digital marketing.
2. Which digital marketing techniques can be used to increase awareness of a brand and encourage interaction with the brand?
3. A digital marketing manager must proactively manage all the main methods by which consumers may visit a company website. Describe these methods and corresponding communications techniques.
4. Imagine you are explaining the difference between digital marketing and e-commerce to a marketing manager. How would you explain these two terms?
5. What is the relevance of ‘inbound marketing’ for digital marketing?
6. Explain how digital platforms can be used to increase market penetration in existing markets and develop new markets.

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Weblinks

Leading portals and blogs covering digital marketing developments

- Prophet (<https://www.prophet.com/thinking/>). US analyst with free reports on digital transformation and social business.
- **Direct Marketing Association UK** (www.dma.org.uk). Source of up-to-date data protection advice and how-to guides about online direct

marketing.

- **Econsultancy.com** (www.econsultancy.com). UK-focused portal with extensive supplier directory, best-practice white papers and forum.
- **eMarketer** (www.emarketer.com). Includes reports on media spend based on compilations of other analysts. Fee-based service.
- **iMediaConnection** (www.imediaconnection.com). Articles covering best practice in digital media channels.
- **Interactive Advertising Bureau** (www.iab.net). Best practice on interactive advertising. See also www.iabuk.com in the UK.
- **The Interactive Media in Retail** (www.imrg.org). Trade body for e-retailers reporting on growth and practice within UK and European e-commerce.
- **Mary Meeker** (www.kpcb.com/internet-trends). An analyst at Kleiner Perkins Caufield Byers who presents trends and forecasts on digital technology yearly with a focus on mobile channels.
- **Marketing Sherpa** (www.marketingsherpa.com). Case studies and news about online marketing.
- **Ofcom** (www.ofcom.org.uk/research-and-data). The Office of Communication has an annual Communications Market report on the adoption of digital media including telecommunications and the Internet (including broadband adoption), digital television and wireless services.
- **Smart Insights** (www.smartinsights.com). Covers all developments in digital marketing to support this book. Edited by Dave Chaffey. See www.smartinsights.com/book-support/ for resources recommended for each chapter.

Chapter 2

Online marketplace analysis: micro-environment

Chapter at a glance

Main topics

- Situation analysis for digital marketing
- The digital marketing environment
- Understanding how customers interact with digital markets
- Consumer choice and digital influence
- Customer characteristics
- Competitors
- Suppliers
- New channel structures
- Digital business models for e-commerce

Case study

Case Study 2: Boo hoo – learning from the largest European dot.com failure

Learning objectives

After reading this chapter, you should be able to:

- Identify the elements of an organisation's digital marketing environment that have implications for developing a digital marketing strategy
- Evaluate techniques for reviewing the importance of different players in the micro-environment: customers, publishers, intermediaries, suppliers and competitors as part of the development of digital marketing strategy
- Review changes to business and revenue models enabled by digital markets.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- What are our capabilities for understanding our online marketplace?
- How can I develop better understanding of the potential significance of the behaviour of players in the micro-environment to the future of our business?
- How do I complete a marketplace analysis and how does this inform our digital marketing planning?
- How are customers' needs changing as digital platforms develop and what are the implications of such changes?
- How do I compare our digital marketing with that of our competitors?
- How do we find suitable intermediaries at the planning stage of a digital marketing strategy?

Links to other chapters

- Chapters 2 and 3 provide a foundation for later chapters on digital marketing strategy and implementation.
- [Chapter 3](#) builds on the concepts, frameworks and ideas introduced in this chapter
- [Chapter 4](#) explains how environment analysis is used as part of strategy development
- [Chapter 5](#) considers the principal functions of the mix in digital strategy development.

Introduction

The demands on marketers who are responsible for planning digital marketing strategies are growing significantly as they work out how to manage commercial contributions, the complexities of the competitive marketplace, digital social communities and innovative technologies. The growth in use of digital media and technology has led to new **paths-to-purchase** that are highly complex as purchase decisions are potentially influenced by many touchpoints (see [Figure 1.1](#)). In the **online marketplace**, purchase decisions are influenced by many sources of information (e.g. search results, customer reviews, online word-of-mouth, social media conversations and company websites).

Additionally, potential customers are using multiple devices (sometimes simultaneously) to garner information that will inform their purchase decisions – for example, using smartphones or tablets, while watching TV. This process is known as **multi-screening**. The digital influences are also supplemented by exposure to traditional communications such as TV, print or radio advertising.

Paths-to-purchase

The different sites, channels and devices and information sources that consumers use to inform their purchase decision for a product or service. Also known as conversion pathways on a site.

Online marketplace

Exchanges of information and commercial transactions between consumers, businesses and governments completed through different forms of online presence such as search engines, social networks, comparison sites and destination sites.

Multi-screening

A term used to describe simultaneous use of devices such as digital TV and tablet.

eWOM (electronic word of mouth), is a term used in academic research of digital dialogues, comments and conversations in consumer markets. Digital marketing practitioners often use social media networks and blogs to engage their target audience in eWOM conversations.

eWOM (electronic word of mouth)

An extension of traditional face-to-face word-of-mouth, whereby communication exchanges between individuals take place in digital environments.

In the next two chapters we look at how organisations can assess the digital environment and, in doing so, identify implications for digital marketing strategy and planning. In this chapter we focus on the micro-environment and in [Chapter 3](#) the macro-environment. We begin by considering situation analysis and the digital marketing environment, then explore how customers interact with digital markets before looking at each of the key sets of players in the micro-environment: customers, competitors and suppliers. This chapter concludes by exploring business models for e-commerce and how existing

companies can create business and revenue models that take advantage of digital marketplace opportunities.

Situation analysis for digital marketing

The digital marketing environment or ‘online marketplace’ that an organisation competes in is complex and dynamic. Organisations should carefully analyse the market context in which they operate, identify opportunities and then plan how they can compete effectively. Understanding an organisation’s environment is a key part of **situation analysis**, and forms a solid foundation for all types of marketing planning but especially when devising a digital marketing strategy, as shown in [Figure 1.9](#).

Situation analysis

Collection and review of information about an organisation’s external environment and internal resources and processes in order to refine its strategy.

What should be reviewed in situation analysis? From the perspective of a business creating a digital marketing plan, situation analysis should review the following factors:

- A Customers.** Digital marketing propositions and communications should be based around the customer – their characteristics, technology usage, behaviours, needs and wants.
- B Marketplace analysis.** Including intermediaries, influencers and potential partners. This involves identifying and reviewing the main online influences on purchase behaviour. There are many influences to consider, including search engines, publisher media sites, blogs, review sites and social networks. Marketplace analysis also involves reviewing opportunities and threats from digital media and technology, including new business and revenue models.
- C Competitors.** It is essential to understand how organisations compete in a particular marketplace; benchmarking customer propositions and communications activities against direct and indirect competitors and out-of-sector businesses can identify opportunities for new approaches and digital marketing activities that need to be improved.
- D Wider macro-environment.** These are the broader strategic influences

we cover in [Chapter 3](#), including social, legal, environmental, political and technological influences.

E Internal review. Another major part of the situation involves an inward-looking, internal review of the effectiveness of existing digital marketing approaches. This will include reviewing current results from digital marketing by review of key performance indicators (KPIs) and dashboards and the organisational capabilities and processes used to manage digital marketing, summarised as strengths and weaknesses. We explain how to review performance by selecting relevant goals and KPIs in [Chapter 4](#) (digital strategy) and [Chapter 10](#) (digital analytics).

Essential digital skills: Marketplace analysis

There are a wealth of sites to help learn more about customers, competitors and potential partners. These sites can help with case study assignments and for marketplace analysis as part of digital marketing planning.

We recommend you develop these skills:

- customer analysis using tools such as those in [Table 2.1](#) to learn about customer profiling, behaviour, technology usage and its influence on the paths-to-purchase;
- competitor and partner analysis to benchmark their popularity and to find opportunities to apply their techniques and improve on them.

Practical ideas to boost employability by showcasing your interest and experience:

- Understand how the concept of personas can be applied in practice to create more relevant communications by studying examples of how businesses use them.
- Use the Google Keyword Planner to show you know how to review consumer search intent.
- Use tools for backlink analysis (such as Moz™, Majestic™, Buzzsumo™, see [Chapter 9](#)) to understand competitors' content marketing and organic SEO techniques and opportunities.

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at: <http://bit.ly/smartdigiskills>.

The digital marketing environment

Before exploring how the influencing factors shape the digital marketing environment, it is important to understand how firms operate in different

contexts. While digital has become mainstream and the distinction between on- and offline has been eroded, it is important to recognise that not all organisations are fully digitally engaged and the importance of digital channels differs between industry sectors. Therefore, each organisation has its own unique space within the online and offline world, which should be considered when analysing its marketing environment and planning a digital marketing strategy. Understanding the nuances of this space is key to defining how to interact within their own business, with competing businesses and the wider forces shaping the marketing environment.

The (digital) marketing environment involves two major elements: 1) **micro-environment** and 2) **macro-environment** (Figure 2.1). The micro-environment is known as *the operating environment*, and focuses on the players that shape the immediate trading environment. These players include the customers whose needs and wants are to be satisfied, along with the competitors, intermediaries and suppliers. These groups of players shape the online marketplace and a digital marketer needs to understand their behaviour and interpret this correctly in order to build and adapt an efficient and effective digital marketing strategy.

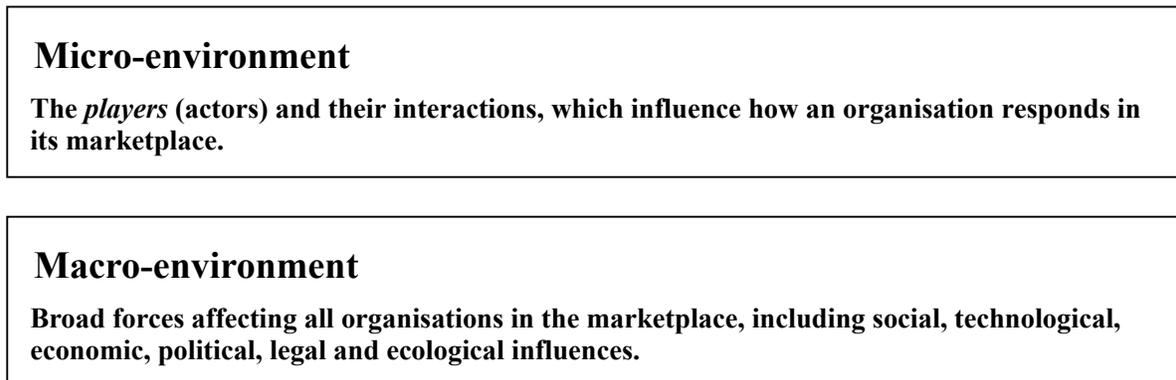
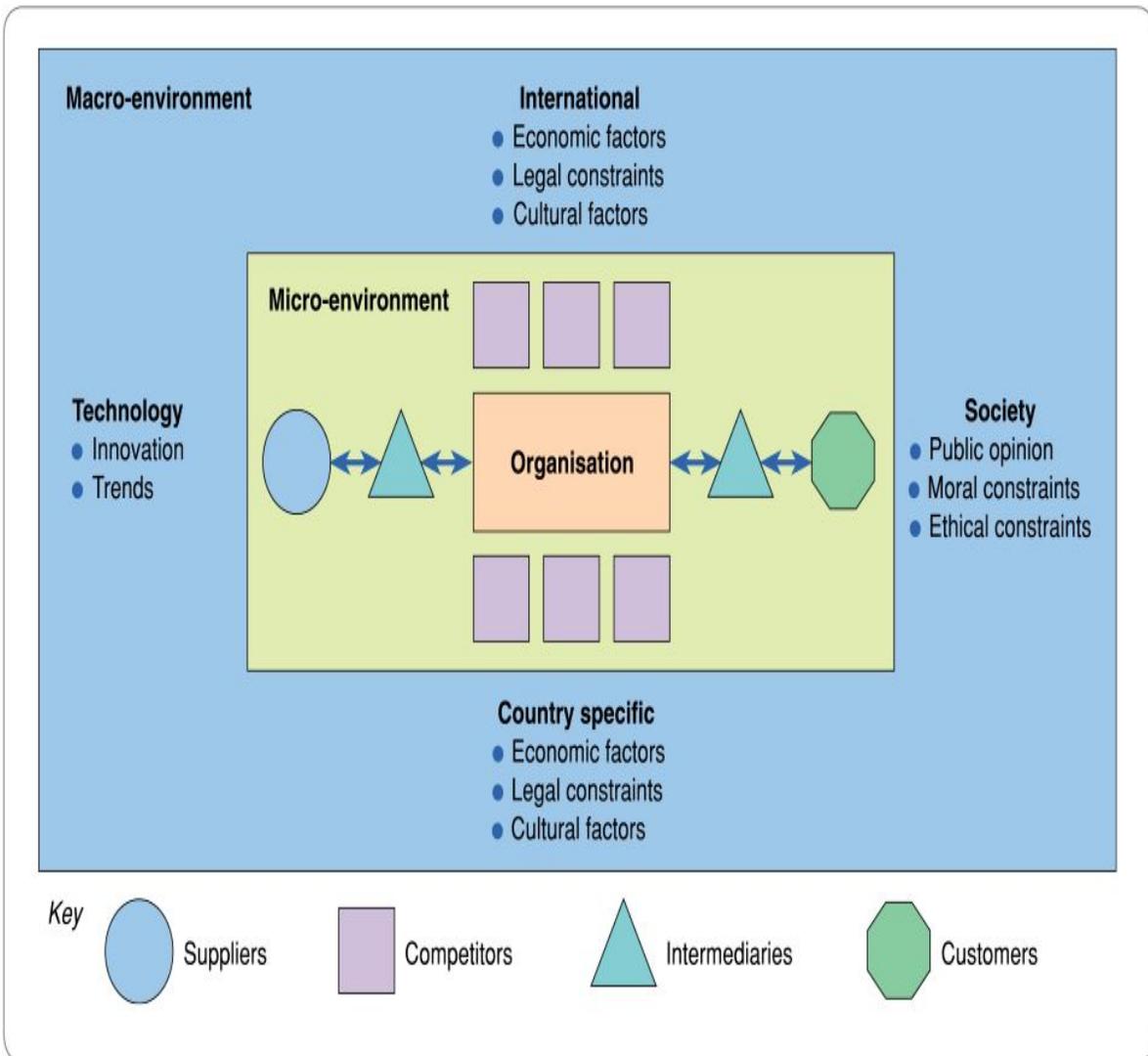


Figure 2.1 The digital marketing environment



The macro-environment, sometimes known as ‘the remote environment’, consists of external forces that can significantly affect success. These forces originate from the marketplace that is largely beyond the immediate control of an organisation (e.g. economic conditions, changes to international trade legislation, technological developments and innovations, social change and political interventions). It is important to note the growing influence of social media networks, which are increasing the capacity of digital channels to inform and shape opinion on a global scale. For more detailed discussion, see [Chapter 6](#). We also study the parts of the macro-environment that are significant to developing digital strategy in [Chapter 3](#).

The marketing environment can have a profound impact on performance; consequently, an organisation should continually monitor both micro and macro influences. This process is called **environmental scanning** in traditional

marketing and online. Marketplace analysis helps to define the nature of the digital competitive market, or **click ecosystem**. Major online players such as Facebook, Google, Apple and Amazon have developed their own infrastructure or **online market ecosystems** that connect websites through data exchange, giving opportunities to enhance the customer experience and extend the firms' reach and influence. For example, Facebook uses **APIs** (e.g. Graph and Marketing) which enable companies to create audience profiles and run digital marketing campaigns. The various functions of these APIs are to facilitate greater levels of automated interactions between Facebook users' newsfeeds, and profile pages. Google has developed its own ecosystem related to search marketing and mobile and is utilising the proliferation of new digital devices owned by individuals and firms: Google's voice-activated Assistant and Google Home devices offer hands-free commands that can control various *smart home devices*. Apple have offered vertical integration of its devices for a number of years and Amazon has its own offer: the Alexa ecosystem, which is delivering voice-activated computing into many homes (see [Mini case study 2.1: Alexa, what's the weather for today?](#)). As part of marketplace analysis, companies should evaluate the relative importance of these ecosystems, the required resources and the integration of their online services. [Digital marketing insight 2.1](#) recommends marketplace analysis data sources and [Activity 2.1](#) gives an example of how to apply them.

Environmental scanning

The process of continuously monitoring and analysing events in an organisation environment(s), that have implications for planning.

Click ecosystem

Describes the customer behaviour or flow of online visitors between search engines, media sites and other intermediaries to an organisation and its competitors.

Online market ecosystem

Interactions between different online systems related to a specific hardware or software technology, which may be independent or developed by a particular brand.

APIs

Application programming interfaces, which facilitate digital interactions by automatically sending and receiving requests and responses electronically.

Mini case study 2.1: Alexa, what's the weather for today?

The Amazon Alexa™ app started out as an Amazon connected speaker; today it has evolved into an Intelligent Personal Assistant (IPA), which is expanding the Amazon ecosystem. It is popularised through products such as the Amazon Echo, a device that can play back music, tune into radio stations, find local weather forecasts, read the news, link into smart technology-enabled devices within the home, or remotely, order takeaway food, search for flights and travel information and order a ride from Uber, plus lots more.

Alexa App has enabled Amazon to integrate thousands of third-party suppliers in the Alexa suite of skills, giving the ecosystem the capability to grow very quickly. New target markets for the IPA are constantly emerging but digital marketers should never forget the importance of the marketing environment and the needs and wants of the end consumer if they are to succeed.

For example, Toy manufacturer Mattel™ developed Aristotle, a sophisticated all-in-one voice-controlled baby monitor, which promised to mind the baby as well as educate children as they grow. Mattel had plans for a child-centre smart hub, using artificial intelligence, which could dim room lights to sooth a crying baby, help children with their school work and respond to multiple learning needs. But toymaker Mattel withdrew the Aristotle in the autumn of 2017 as concerns were raised about personal privacy and parental concerns about the device interrupting how children naturally learn to play.

Alexa's IPA offers many opportunities to stimulate interaction with emerging markets: it is currently bilingual and can understand spoken English and German. Other languages (e.g., Hindi and Japanese) are in development. But this case study highlights that it remains important to consider the context of new markets and understand the micro and macro influences in the marketing environment if negative outcomes are to be avoided.

Source: Wikipedia (2017) Amazon Alexa https://en.wikipedia.org/wiki/Amazon_Alexa (accessed December 2017); Tsukayama, T. (2017) Mattel has cancelled plans for a kid-focused AI device that drew privacy concerns, *The Washington Post*, 4 October 2017, https://www.washingtonpost.com/news/the-switch/wp/2017/10/04/mattel-has-an-ai-device-to-soothe-babies-experts-are-begging-them-not-to-sell-it/?utm_term=.ea560655e223 (accessed December 2017).

Understanding how customers interact with digital markets

In the physical world, ‘going to the shops’ is a well-understood concept, but less is known about the range of triggers and influences that can shape a shopper’s journey and inform their ultimate purchase decision. In the digital world, the same basic principles are true, but the online customer encounters many more ‘touchpoints’ (digital triggers and influences), which influence their decision making (e.g., websites, social media content and blogs). With increasingly widespread use of digital technology, the digital touchpoints extend beyond digital channels and can influence purchase decisions before, during and after a shopping encounter. It is the modern marketer’s job to make the best investments to feature their brands and provide relevant content to support this decision-making process at every stage of the customer journey, especially as customers are interacting with brands in commercial and social contexts across multiple touchpoints (Lemon and Verhoef, 2016; Edelman and Singer, 2015). To help understand customers’ interactions with physical and digital touchpoints, triggers and influences, journeys maps are increasingly used to model behaviour of different types of target audiences. (See [Figure 2.2](#) for an example of a customer journey map.)

To help understand the influences on online customer journeys it is useful to produce an online marketplace map, as shown in [Figure 2.3](#), which summarises how target customer segments might be influenced by different types of digital sites. The main elements of the online marketplace map are:

1. *Customer segments*. The marketplace analysis helps identify and outline different target segments, which have implications for digital marketing, and helps to understand the target group’s online media consumption, behaviour and relevant types of digital content. In a digital campaign or website design project, personas can be used to help understand the preferences, characteristics and online behaviours of different target markets.
2. *Search intermediaries*. The main search engines are typically Google, Yahoo!, Bing™ and Ask™, but others are important in some markets such as China (Baidu™) and Russia (Yandex™). There are companies that provide specialist audience data to enable a digital marketer to discover the relative importance of particular search engines (and other types of site) in different countries (e.g. ComScore™, Hitwise™, SimilarWeb™ and Nielsen™). Search engines have become so significant that their search trends are used to predict future sales volume. Choi and Varian (2012) note that Google Trends data on search volumes through time is very useful for predicting levels of spending. They argue that ‘these query indices (Google

Trends data) are often correlated with various economic indicators and may be useful for short-term economic predictions'. These authors are not suggesting that Google data can be used to predict the future but that it can be useful for predicting the present: *nowcasting*. The relevance to digital marketers is the capacity to understand and identify specific purchasing triggers, which can influence economic performance.

According to Aswani *et al.*, (2018), it is important for firms to use reliable sources of search analytics such as customer search data, rankings and links between sites. Companies should know which sites are effective in harnessing search traffic and either partner with them or try to obtain a share of the search traffic using the search engine marketing and affiliate marketing techniques explained in [Chapter 9](#). Well-known, trusted brands that have developed customer loyalty are in a good position to succeed online since a common consumer behaviour is to go straight to the site through entering a URL or from a bookmark or email. Alternatively, they may search for the brand or URL. By evaluating the type and volume of phrases used to search for products in a given market, it is possible to calculate the total potential opportunity and the current share of search terms for a company. **Share of search** can be determined from web analytics reports from the company site, which indicate the precise key phrases used by visitors to actually reach a site from different search engines.

3. *Intermediaries, influencers and media or publisher sites*. Media sites and other intermediaries such as individual influencers, social networks, **aggregators** and **affiliates** are often successful in attracting visitors via customer search or direct to their websites. Companies need to assess potential online media and distribution partners in the categories shown in [Figure 2.3](#):

- **Mainstream news media sites or portals**. These include traditional (for example, **FT.com**, *The Times*, *Guardian*) or pureplay (like Google News).
- **Niche/vertical media sites**. For example, EconsultancyTM, **ClickZ.com**TM and Marketing LandTM are in a business-to-business niche in marketing.
- **Social networks**. For example, Facebook, Instagram, Twitter, LinkedIn.
- **Price-comparison sites (also known as aggregators)**. For example, Google ShoppingTM, PricegrabberTM, GocompareTM, **Shopping.com**TM, **Confused.com**TM, **Mysupermarket.com**TM.

- **Super-affiliates.** Affiliates gain revenue from a merchant they refer traffic to by being paid commission based on a proportion of the sale or a fixed amount. They are important in e-retail markets, accounting for tens of per cent of sales.
 - **Niche affiliates or bloggers.** These are often individuals, but they may be very influential. For example, in the UK, Martin Lewis of Moneysavingexpert.com receives millions of visits every month. Smaller affiliates and bloggers can be important collectively. With the growth in readership and social interactions on blogs, identifying **key online influencers** within a market is important to help reach and engage target audiences.
4. *Destination sites and platforms.* These are the sites that the marketer is trying to attract visitors to, including transactional sites by retail, financial service, travel, manufacturers and other companies or non-transactional sites like brand or relationship-building sites, as introduced in [Chapter 1](#). Destination sites also include presence on other social sites such as Facebook and Twitter or mobile apps. [Figure 2.3](#) refers to OVP or ‘online value proposition’, which is a summary of the unique features offered by brands in their online services and presences – described in more detail in [Chapter 4](#). The OVP is a key aspect to consider within planning – marketers should evaluate their OVPs against competitors’ and think about how they can refine them to develop a unique online experience.

Share of search

The audience share of Internet searches achieved by a particular audience in a particular market.

Aggregators

An alternative term to price-comparison sites. Aggregators include product, price and service information comparing competitors within a sector such as financial services, retail or travel. Their revenue models commonly include affiliate revenues (CPA), pay-per-click advertising (PPC) and display advertising (CPM).

Affiliates

Companies promoting a merchant typically through a commission-based arrangement either direct or through an affiliate network.

Key online influencers

Celebrities, individuals well known in their niche, or publishers to whom an online target audience listens to and interacts with. Online influencer outreach or ‘blogger outreach’ can help companies reach and engage a wider audience. Recently video bloggers (‘vloggers’ or ‘YouTubers’) have become popular among teenage audiences.

Figure 2.2 An example of a customer journey map

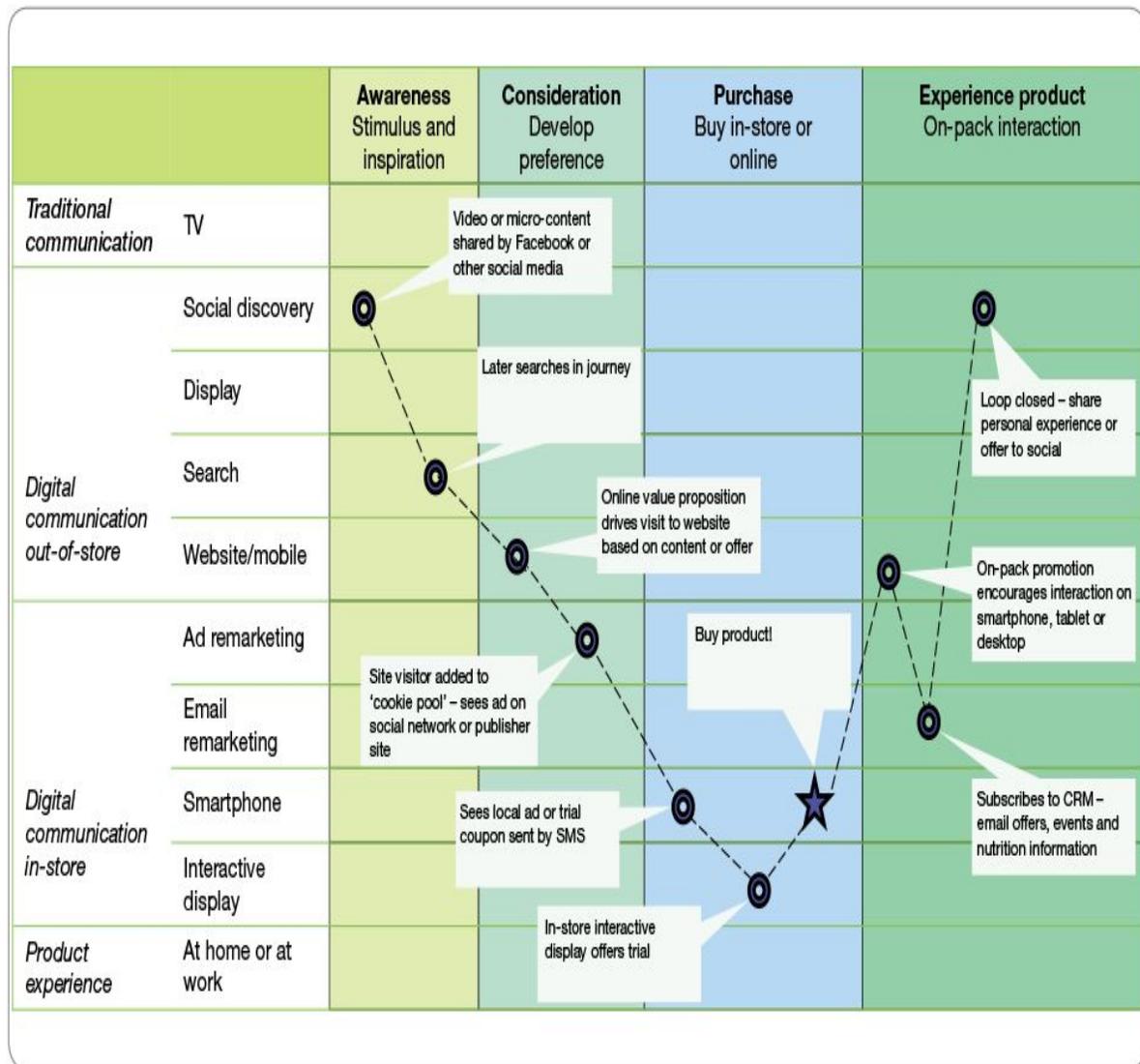
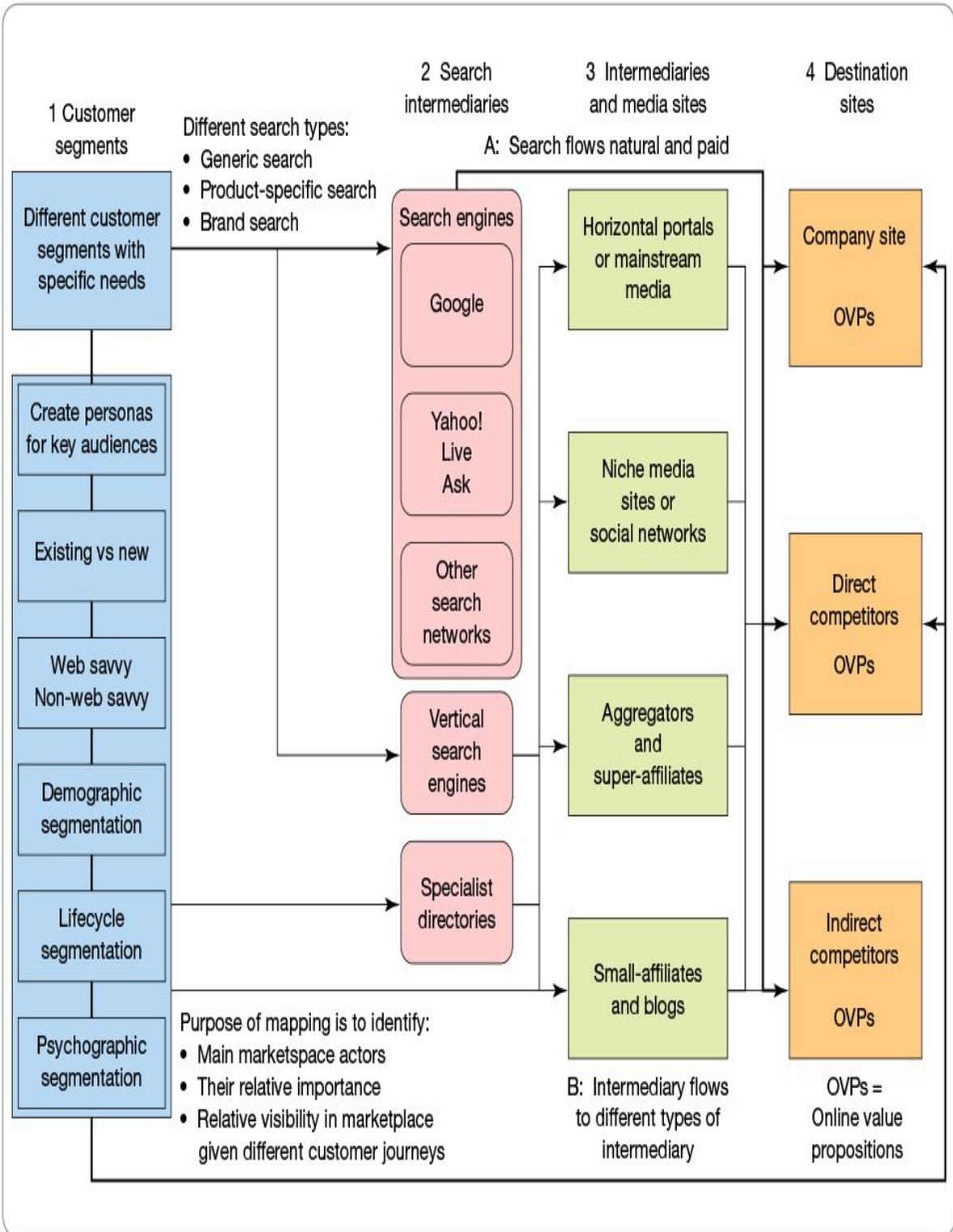


Figure 2.3 An online marketplace map



Digital marketing insight 2.1: Resources for analysing the online marketplace

How to make sense of the volume of available data can be a big challenge for any online marketer. However, it makes sense when planning digital marketing campaigns to take up the opportunity to plan based on the actual marketplace characteristics rather than intuition. Nevertheless, in order to do this a digital marketer needs to know how and where they can tap into the wealth of research about current Internet use and future trends. Typically, businesses use different tools for analysis of the online marketplace and customer behaviour as they access different websites as part of their customer journey. There are both free and paid-for analytical services available to help. **Table 2.1** shows a selection of free and paid-for services that can be used for online marketplace analysis, and these resources can be used to assess the number of people searching for information and the popularity of different types of sites measured by the number of **unique visitors**.

By scanning the detailed results from searching information providers, a digital marketing planner can build an informed picture of what is happening at any given time and also make forecasts for strategic planning.

Unique visitors

Individual visitors to a site measured through cookies or IP addresses on an individual computer.

Table 2.1 Research tools for assessing digital markets

Search tool provider and sources of information	Focus and services
<p>1 Google and Facebook tools See www.thinkwithgoogle.com/tools/ and Facebook.com/iq</p>	<p>Since these are two of the largest platforms who are encouraging advertiser investment, they also provide the best sources of free, accurate tools for marketplace analysis. Recommended Google tools are:</p> <ul style="list-style-type: none"> • Display planner tool – this Google Ads tool shows relative size and audience composition of publishers in the Google programme. • Google Trends – trends in search volume by country – no sign-in required. • Keyword Planner – this tool requiring registration in Google AdWords gives details on number of searches each month. • Consumer Barometer – good-

	quality data on online shopping behaviour by country and device, but review when last updated.
	The recommended tool in Facebook IQ is:
	<ul style="list-style-type: none"> • Audience Insights – provides Facebook audience country breakdown by gender, age, interests and job titles, plus information on top page likes.
2 SimilarWeb (www.similarweb.com)	Freemium tool enabling comparison of visitors to sites and which channels prompt the visits. Sample dependent on users of the toolbar. Paid alternatives are Alexa, Compete.com and Experian.com .
3 Socialbakers (www.socialbakers.com)	Freemium tool with some free tools for benchmarking brand social media popularity, e.g. in Facebook.
4 Nielsen (www.nielsen.com)	Paid-for tool but free research data on search engines and intermediaries available from press release section focus in on what consumers buy. Panel service based on at-home and at-work users who have agreed to have their web use tracked by software. Top rankings on site gives examples of most popular sites in several countries.
5 comScore (www.comscore.com)	Paid-for tool but free data on consumer behaviour on mobile and desktop for search engines and publishers available from press release section.
6 Google Analytics (www.google.com/analytics)	Free and paid-for services, which provide insights into website traffic. Includes competitor benchmarking.
7 Internet or Interactive Advertising Bureau (IAB) (US: www.iab.net UK: www.iabuk.com Europe: www.iabeurope.eu)	Research focusing on investment in different digital media channels, in particular display ads and search marketing. Paid-for services.
8 Internet Media in Retail Group (IMRG) (www.imrg.org)	The IMRG Capgemini Sales index provides statistics on UK e-retail sales, mostly limited to members.
9 Government sources	Useful government sources include Eurostat (EU, http://epp.eurostat.ec.europa.eu), Ofcom (UK, www.ofcom.org.uk)

10 Non-government organisations

excellent communications market reports and [statistics.gov.uk](https://www.statistics.gov.uk)) and [Data.gov](https://www.data.gov) for the US.

Include Pew Internet Surveys (US, www.pewinternet.org, good for social media adoption) and International Telecoms Union (www.itu.int, a good source for mobile adoption).

Activity 2.1: Using digital research tools to assess variation in online demand by sector

According to the IMRG Capgemini Sales index online (<https://www.imrg.org/data-and-reports/imrg-capgemini-sales-indexes/>), the volume of sales is continuing to grow and the rate of growth overall is positive. But demand preferences for online purchase differ by sector.

Purpose

To explore the value of digital research tools in assessing variation in consumer preference for online purchase.

Activity

Using the resources listed in [Table 2.1](#):

1. Share example of searches from different sectors and use Google Trends or Keyword Planner to understand long-term trends and seasonality for different product categories.
2. Clothing and footwear sectors show positive growth. Suggest why this might be and whether this trend will continue for the next five years.
3. From your use of chosen research tools, make a list of the limitations of the data and information you have been able to access.

So far, we have considered the context and the settings of the micro-environment; in the remainder of this chapter we examine the potential roles and actions of the players who shape the micro-environment:

- customers;
- suppliers and intermediaries;
- competitors.

We will conclude the chapter by exploring business and revenue models, which have relevance for digital marketing planning.

Customer analysis to understand the digital consumer

We have explained that situation analysis in the world of digital marketing should focus on the customer by looking at how they engage with digital content and channels, the journeys they take and the touchpoints they encounter. But this is just the beginning; in marketing, understanding the trading situation is very important for setting realistic business and marketing objectives and it is important to not only consider customers' behaviour but also to know how to analyse reactions and responses. In the digital world, customer actions are highly trackable and quantifiable, so digital marketers should know how to measure customer behaviour in relation to marketing objectives in highly precise ways. These ideas are equally applicable in consumer, business and not-for-profit markets settings, although the specific measurement and analysis tools will vary depending on the desired marketing outcomes. Complete [Activity 2.2](#) to find out how business networks are changing the way we make *successful* connections.

Activity 2.2: LinkedIn: making professional connections

Purpose

To consider the business potential of online networks.

Activity

Businesses rely on their connections to other businesses and key individuals to develop their business. In 2002, Reid Hoffman had an idea, which he turned into the largest professional network in the world, LinkedIn. Today there are over 500 million professional individuals signed up to the network, in 200 countries worldwide and available in 24 languages.

Visit: <https://business.linkedin.com/marketing-solutions/marketing-case-studies#all>. Now answer these questions:

1. Find three examples of businesses that are using LinkedIn to access their target markets.
2. For each of your chosen businesses, outline their different digital market strategies.
3. For each of your chosen businesses, explain the extent to which you feel the strategy worked.

From the micro-environment perspective, customers are important players in a company's immediate trading environment, and analysis of their behaviour is central to understanding of the trading situation and, ultimately, digital planning. **Customer behaviour analysis** can be considered from two perspectives:

1. **Demand and gap analysis.** This involves understanding the potential and actual volume of visitors to an online presence and the extent to which prospects convert to tactical and strategic outcomes, e.g. lead generation and sales.
2. **Digital consumer behaviour.** Here a marketer wants to understand the needs, characteristics and digital experiences or behaviours of target consumers. These variables are often collectively referred to as **customer insight**. Based on this analysis, **customer segments** can be created that will be used to develop targeting approaches as part of strategy and planning (described in [Chapter 4](#) onwards).

Customer behaviour analysis

In digital markets, this type of analysis involves research into the motivations, media consumption preferences and selection processes used by consumers as they use digital channels together with traditional channels to purchase online products and use other online services.

Customer insight

Knowledge about customers' needs, profile, preferences and digital experiences from analysis of qualitative and quantitative data. Specific insights can be used to inform marketing tactics directed at groups of customers with shared characteristics.

Customer segments

Groups of customers sharing similar characteristics, preferences and behaviours that are meaningful in terms of various market propositions, and which are defined as part of *target marketing strategy and planning*.

Demand analysis and conversion marketing

Digital marketing managers should understand current trends and levels of use of the Internet and different online services and how they relate to services and products the organisation wishes to deliver online. Additionally, marketers need to be aware of factors that affect how customers actively use the digital services on offer. This evaluation process is called **demand analysis**. The benefits of this form of analysis are that companies can identify opportunities for influencing and delivering sales online based on actual use of digital media by individuals in the company's target market.

Demand analysis

Quantitative determination of the potential use and business value from online customers of an organisation. Qualitative analysis of perceptions of online channels is also assessed.

Assessing demand for digital services is done by looking at generic factors that enable marketers to set realistic strategic objectives for each target segment. In order to do this the digital marketer also needs to assess the volume and share of customers who:

- have access to the digital channel;
- use specific online services that may affect the purchase decision, such as price comparison sites, social networks and specialist blogs;
- are influenced by using the digital channel but purchase using another channel as part of the multichannel buyer behaviour;
- purchase or use other services using the digital channel.

Using information sources and tools, like those suggested in [Table 2.2](#), plus any primary research a company decides to carry out, a digital marketer should be able to develop a sound understanding of the characteristics, needs and wants of the individuals (and/or companies) in the target market and their propensity to engage with digital channels. Once this foundation level of understanding is developed, it is possible to consider how to achieve marketing goals and objectives through the use of digital communications.

Implications for marketing planning: conversion models

As part of situation analysis and objective setting, experienced digital marketers build conversion or waterfall models of the efficiency of their web marketing. Using this approach, the total potential online demand for a service in a

particular market can be estimated and then the success of the company in achieving a share of this market determined. **Conversion marketing** tactics can be used to convert as many *potential* site visitors into *actual* visitors and then convert these into leads, customers and repeat customers. Conversion marketing metrics are discussed in detail in [Chapter 10](#).

Conversion marketing
 Using marketing communications to maximise conversion of potential customers to actual customers.

Multichannel conversion models

In reality, conversion modelling is complex because it needs to take into account both online and offline behaviour. For example, an advertiser may use Google Ads to promote its product, but some shoppers will buy online while others will prefer to use other channels to make their purchase, e.g. use the phone or buy in-store.

Table 2.2 Impact of the Internet on the five competitive forces

Bargaining power of buyers	Bargaining power of suppliers	Threat of substitute products and services	Threat of new entrants	Rivalry between existing competitors
The power of online buyers is increased since they have a wider choice and prices are likely to be forced down through increased customer knowledge	When an organisation purchases, the bargaining power of its suppliers is reduced since there is a wider choice and increased commoditisation due to e-procurement and e-marketplaces	Substitution is a significant threat since new digital products or smart products can be readily introduced	Barriers to entry are reduced, enabling new competitors, particularly for retailers or service organisations that have traditionally required a high-street	The Internet encourages commoditisation, which makes it less easy to differentiate products

<p>and price transparency (see Chapter 5)</p>			<p>presence or a mobile sales force</p>	
<p>For a B2B organisation, forming electronic links with customers may deepen a relationship and it may increase switching costs, leading to 'soft lock-in'</p>	<p>The reverse arguments regarding bargaining power of buyers</p>	<p>The introduction of new substitute products and services should be carefully monitored to avoid erosion of market share</p>	<p>New entrants must be carefully monitored to avoid erosion of market share</p>	<p>Rivalry becomes more intense as product lifecycles decrease and lead times for new product development decrease</p>
		<p>Internet technology enables faster introduction of products and services</p> <p>This threat is related to new business models, which are covered in a later section</p>	<p>Internet services are easier to imitate than traditional services, making it easy for 'fast followers'</p>	<p>The Internet facilitates the move to the global market, increasing the number of competitors</p>

Therefore, it is useful to put in place the means of monitoring cross-channel conversions at different stages in the buying process as it can help a business to understand how it might improve performance in both online and offline channels by making the marketing spend more effective.

Figure 2.4 Model showing conversion between the digital channel and traditional channels during the buying process

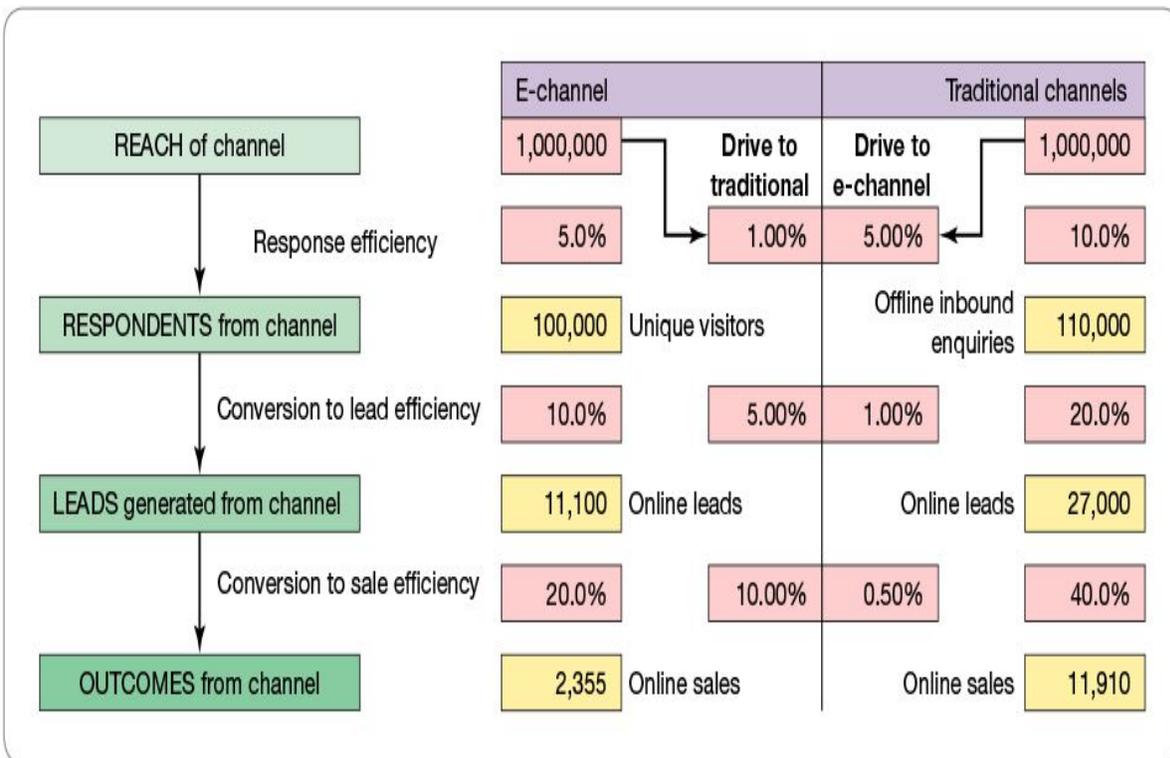


Figure 2.4 shows a model of how this works. For example, phone numbers that are unique to the website can be used as an indication of the volume of callers to a contact centre influenced by the website. This shows that of the 100,000 unique visitors in a period, we can determine that 5,000 (5 per cent) may actually become offline leads. Now read about how to create successful cross-channel experiences in [Mini case study 2.2](#).

Mini case study 2.2: Creating great cross-channel customer experiences

‘No matter how brilliant the idea is, if your audience’s needs aren’t met you won’t keep them as a customer’ (Mulcahy and Salmon, 2017).

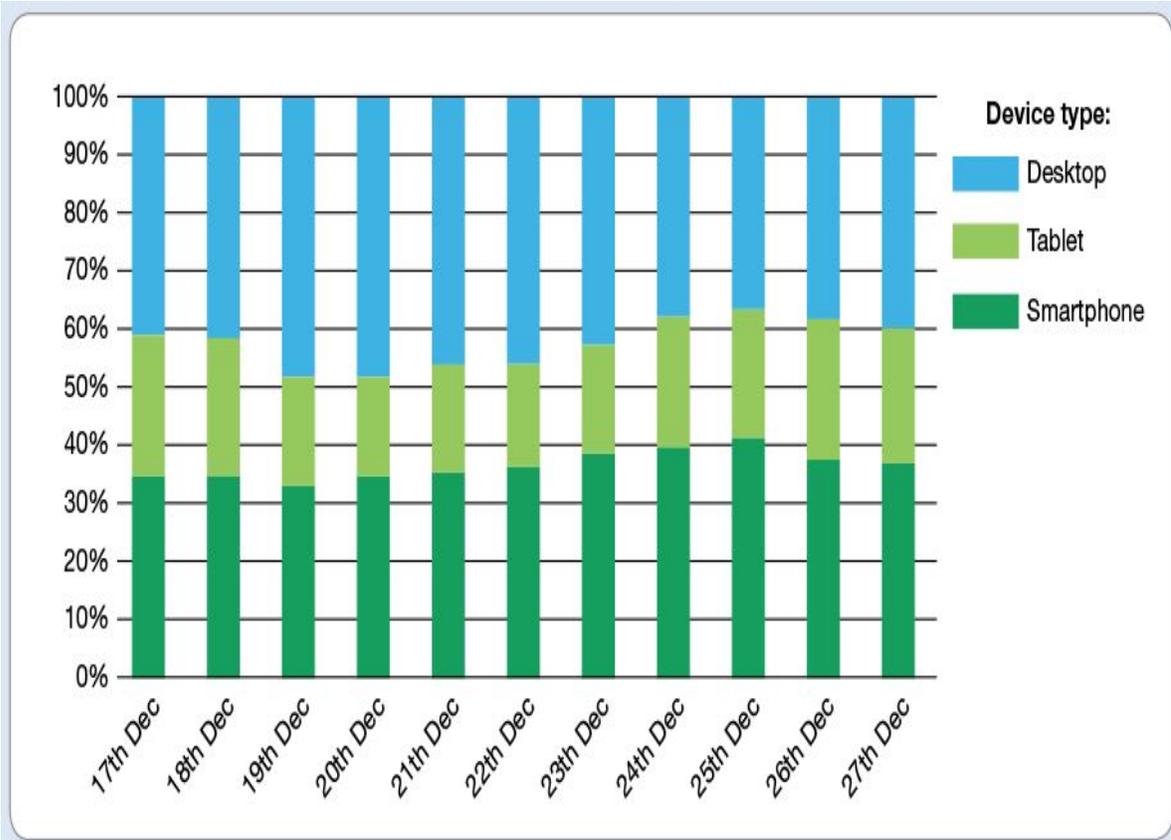
To achieve success in the digital world it is important to consider the context before trying to create highly relevant content. A key challenge for the digital marketer is to understand the relevance of touchpoints in relation to brand, in a highly complex environment where the average UK home has over eight connected devices through which to interact with a brand. This means that customer journeys and touchpoints can be fragmented and are typically across a number of different channels. **Figure 2.5** shows how the share of sales by device can vary by the day. Therefore, the solution could be to look at the individual instead of the devices by taking an *audience-focused marketing approach*.

Epiphany™ is a specialist search-based marketing agency based in London and one of its clients, Topps Tiles™, wanted to use digital marketing to encourage customers to go their local store (360 across the UK). Epiphany used local pay-per-click ad extensions, and the results showed that customers who used mobiles were 3.3 times more likely to visit a local store than those without the local extension. Post-campaign analysis showed the importance of mobiles in the Topps Tiles customer journey.

But search is not the only influencing factor when it comes to understanding cross-channel use and customer journeys:

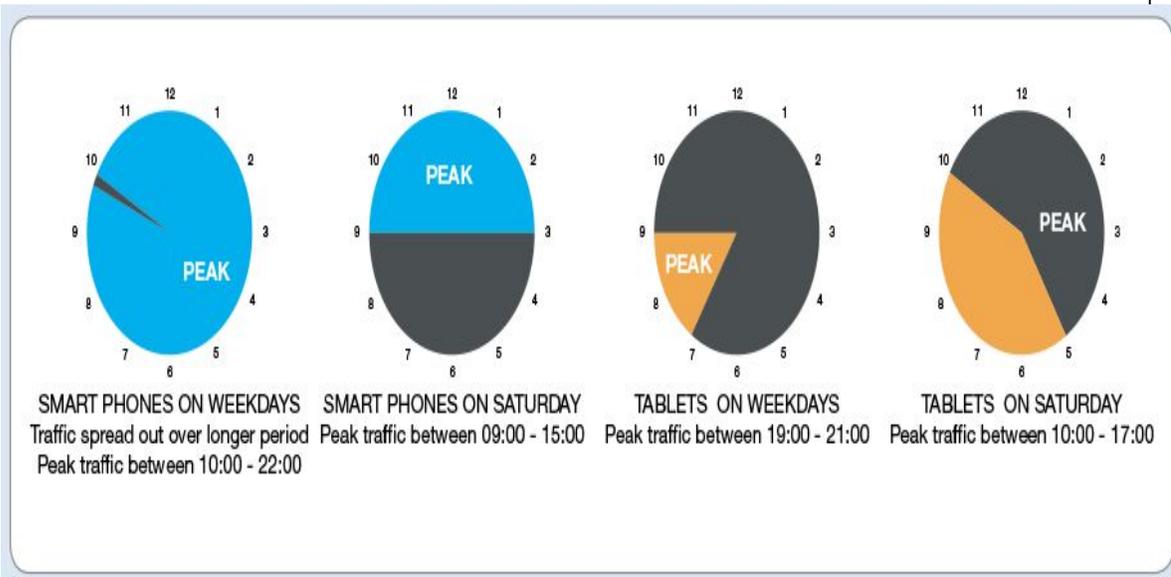
- Time of day can also effect purchasing behaviour and choice of device. Mobiles are very popular in the morning as people are travelling to work; desktop computer use increases during the working day and then mobile and tablets increase in popularity again in the evening. It is also important to note the days of the week as there are peaks in conversion traffic at the end of the week for Epiphany’s clients (see **Figure 2.6**).
- Site speed – digital campaigns with potential can perform badly if the speed for the destination site is perceived as slow; the majority of online users will look for an alternative.

Figure 2.5 Share of sales by device (total market) 17–27 December 2017



Source: (IMRG)

Figure 2.6 Peak conversion times by device: smartphones and tablets



Source: (IMRG)

In summary, it is important to go beyond looking at the channel to understand customer journeys; while channel is important, time of day and download speeds also influence the

conversion of online users to purchasers. Also, as UK consumers spend more time using their smartphone than any other device, the distinction between online and offline purchasing is becoming obscured. Therefore, the greater the understanding of an individual user the higher the likelihood of successful digital campaigns.

Source: Based on Mulcahy and Salmon (2017); <https://www.imrg.org/data-and-reports/imrg-capgemini-sales-indexes/>

In this section we have been discussing customer conversion strategies; in the next section we delve further into consumer choices and digital influences.

Consumer choice and digital influence

Consumer choice and the subsequent decision making are crucial to the purchasing process (online and offline) but digital media (and especially Mobile digital media – see [Digital marketing insight 2.2](#)) now plays an increasingly important role in buying decisions. Many buyers visit online first to find information that will inform what they buy, so the web and social media are:

- a vital part of the research process, as Internet users now spend longer researching products online;
- used at every stage of the research process from the initial scan to the more detailed comparison and final checking of specifications before purchase.

The result of this change in behaviour means that buyers are more informed, and refer to a multiplicity of sources to find information that will inform their final purchasing decision, e.g. brand websites, social media, review sites, traditional print media and personal recommendations (this topic is explored in detail in [Chapter 9](#)). Digital sources of information now play a more important role in shaping purchase decisions. So, companies have to think carefully how they can maximise the value of positive comments and reviews and reinforce consumer perceptions through product quality, and service experiences both on and offline.

The implications of this growth in the use of information in digital channels in the selection process means that it is important to ensure that products and services are well-represented in the digital channels used by target customers. The demand for information is likely to continue to intensify with the rise in significance of mobile and social networking channels.

Digital marketing insight 2.2: M-shopping can be thoughtful, motivated and reluctant

Mobile shopping (M-shopping) has grown rapidly as the penetration of mobile phones, smartphones and tablets has increased dramatically. By 2019, it is predicted that 5 billion people will use a mobile phone and the penetration across the world's population will be 67.1 per cent. Mobile phone adoption has outstripped landline ownership and in some nations mobile phone penetration is over 90 per cent. While lower-income countries in Latin America, Middle East and Africa have lower penetration rates, mobile technology is liberating these markets as mobile technology provides wireless Internet access. Despite this rapid expansion in the uptake of mobile phones, digital marketers need to understand consumers' barriers and motivators to using a phone as a means of shopping if they are to effectively access their target markets. San-Martine, Lopez-Catalan and Ramon-Jeronimo (2013) found that there are three distinct groups of m-shoppers:

- **Thoughtful m-shoppers.** This group are reflective about the value of m-shopping and are not entirely sure about the value of this form of buying. They are concerned about the lack of interpersonal interactions but they are motivated by value. So to engage this type of shopper, marketers need to develop additional motivating offers through the mobile channel.
- **Motivated m-shoppers.** This group do not envisage any barriers to shopping in this way, they are frequent users of technology and confident with remote shopping. This group can also be motivated by special offers but to a far lesser extent than the thoughtful group as they may not need to be incentivised in the same way.
- **Reluctant m-shoppers.** This group sees no advantage to m-shopping. They are concerned about lack of interpersonal interaction, and find it difficult to shop via a mobile phone. Marketers will find this group difficult to access via m-shopping.

Source: Based on eMarketer (2014); San-Martine, Lopez-Catalan and Ramon-Jeronimo (2013).

Figure 2.7 shows that when consumers first use the web they tend to limit its use to searching for product information, but as they become more confident they are not only likely to involve the Internet at a greater number of points in the purchasing process but are also likely to increase the value of the products they buy and the frequency with which they make purchases.

Developing an understanding of the processes involved in customer choice should enable marketers to identify how to tailor services to meet the needs of the customers so that they move to the transaction dimension.

The proportion of Internet users who will purchase different types of products online varies considerably based on the characteristics and demographic profile of the consumers, the product category and the past experiences of the shopper. There have also been many predictions about the development of online

retailing and how it might fuel demand for online transactions. Convenience remains the biggest driver for online shoppers. **Figure 2.8** shows influences on consumer purchasing made in the UK.

By understanding the dimensions that affect how consumers interact with online trading environments, digital marketers can identify key points where they can seek to manage conversion.

Figure 2.7 Development of experience in Internet use

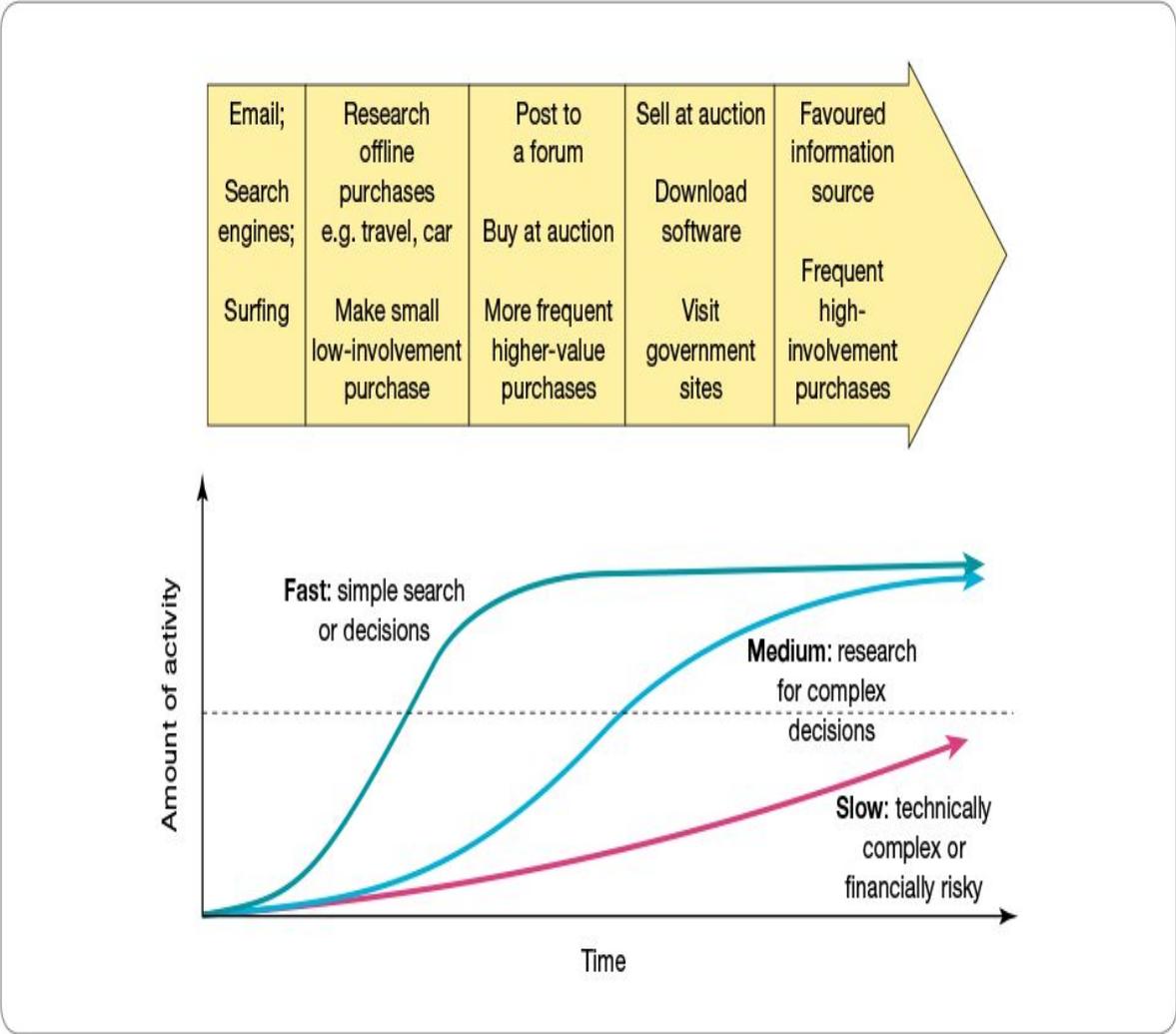
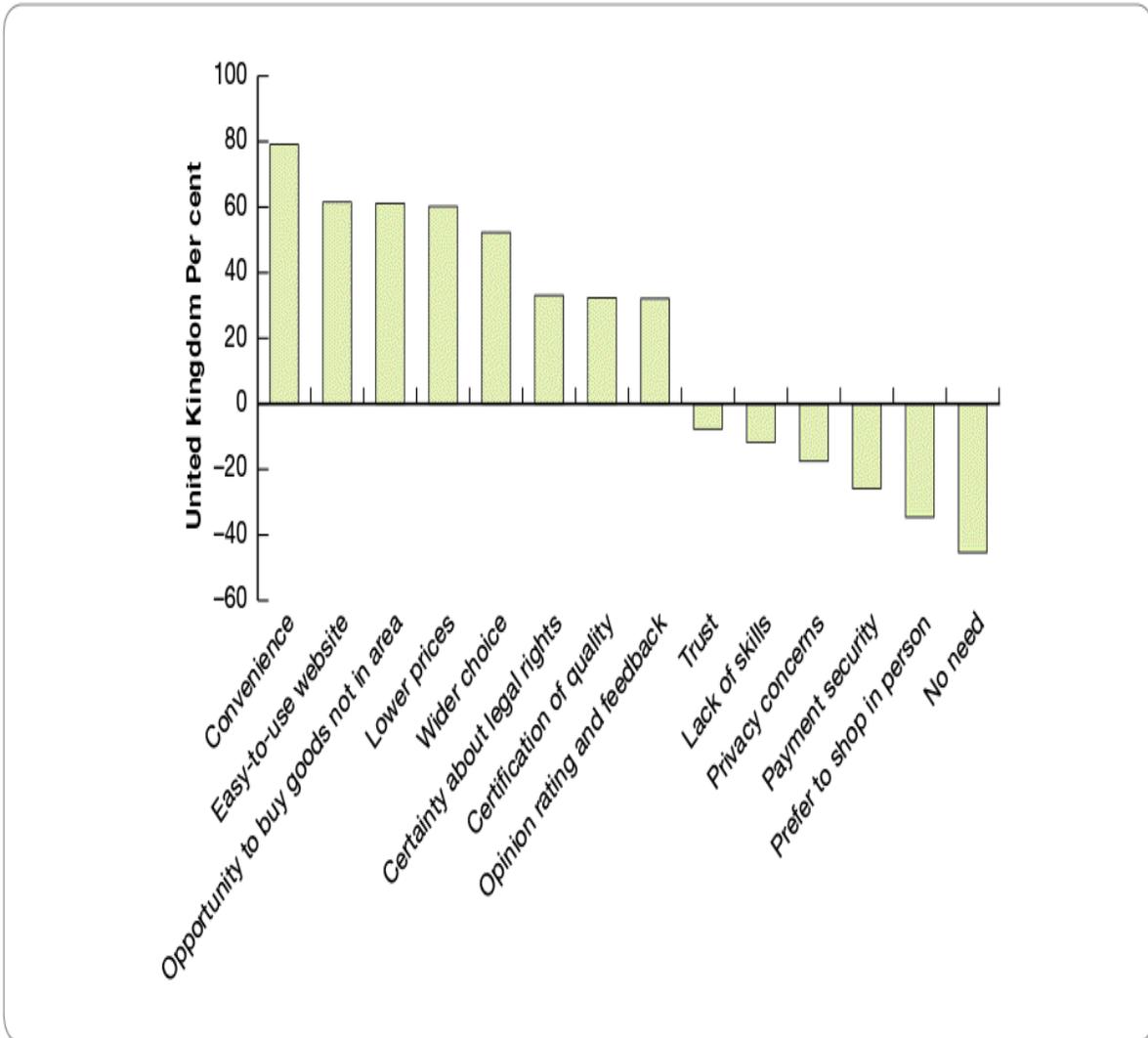


Figure 2.8 Influences on online purchasing in the UK



Source: Chamberlin (2010)

When assessing online customer demand and characteristics for business-to-business products and services, there are additional considerations. The B2B market is different to business-to-consumer markets insofar as variation in online demand or research in the buying process will occur according to different types of organisation and people within the buying unit in the organisation. We need to profile business demand according to:

- **Variation in organisation characteristics:**
 - size of company – employees or turnover
 - industry sector and products
 - organisation type – private, public, government, not-for-profit
 - application of service – which business activities do purchased products and services support?

- country and region.
- **Role of the target individual in an organisation:**
 - role and responsibility – job title, function or number of staff managed
 - role in buying decision – purchasing influence
 - department
 - product interest
 - demographics – age, sex and possibly social group.

So far, we have considered influences on customer choice and conversion models.

In the next section we explore ways of understanding consumer behaviour beginning with characteristics, which reveal how different types of individual behaviour can affect engagement with the digital marketplace.

Customer characteristics

Understanding the individual nature of customers is fundamental to marketing practice and planning. In [Chapter 4](#) you can read about segmentation approaches and how they can be used successfully as part of an integrated marketing strategy. In this section we explore the actual consumer behaviour variables that help build segmentation profiles.

Research has identified that there are many factors that influence online behaviour and over time the market segments that use the Internet and digital services have changed significantly (Kannan and Hongshuang, 2017), so it is important for digital marketers to a) be aware of important behavioural variables, and b) to understand how to model online consumer behaviour.

According to Doherty and Ellis-Chadwick (2010), the types of individuals using the web have changed significantly since 1995. In those early days, online markets tended to be limited to young males, who were generally better educated and wealthier than their contemporaries. Now digital markets have global reach and have penetrated every type of market segment. However, it has become increasingly important to precisely identify target markets. Research suggests a fruitful place to begin identifying consumer target markets is to consider:

1. **Demographic variables.** Doherty and Ellis-Chadwick (2010) suggest that any personal attributes that tend to remain static throughout an individual's life time, or evolve slowly over time – such as age, gender, race etc. – can be defined as *demographic variables*. Key elements of a consumer's demographic profile that have been found to influence online behaviour include variables such as: income, education, race, age (Hoffman *et al.*, 2000); gender (Slyke, 2002); and lifestyle (Brenngman *et al.*, 2005), cultural and social make-up that influences online behaviour (e.g. Shiu and Dawson, 2004).
2. **Psychographic and behavioural variables.** Any aspect of a consumer's perceptions, beliefs and attitudes that might influence online behaviour, and in particular a consumer's intention to shop, can be defined as a *psychographic/behavioural variable*. Indeed, there has now been a significant amount of recent work to explore how the consumer's character or personality might influence their online behaviour (George, 2004). Cheung *et al.* (2005) suggest that the impact of a wide range of behavioural characteristics, such as knowledge, attitude, innovativeness and risk aversion, can have a significant effect on a consumer's intention to shop. For example, it has been found that consumers who are primarily motivated by convenience were more likely to make purchases online, while those who value social interactions were found to be less interested (Swaminathan *et al.*, 1999).

By *studying* the variables that influence the consumer experiences in the online environment it becomes possible to analyse their future intentions to continue to use digital services and to shop online (Wolfenbarger and Gilly, 2003). For example, the impact of consumers' personal experiences of convenience, site design and security might affect their overall satisfaction with a particular website. Another important point is that by studying variables associated with a consumer's experiences, digital marketers begin to understand how to increase loyalty and trust through websites and online services. As use of the digital environment has grown, further research has been carried out that gives us an even greater understanding of the online customer experience.

According to Rose *et al.* (2011):

customer interactions with an organisation's website creates opportunities for positive experiences that can lead to long-term relationship building.

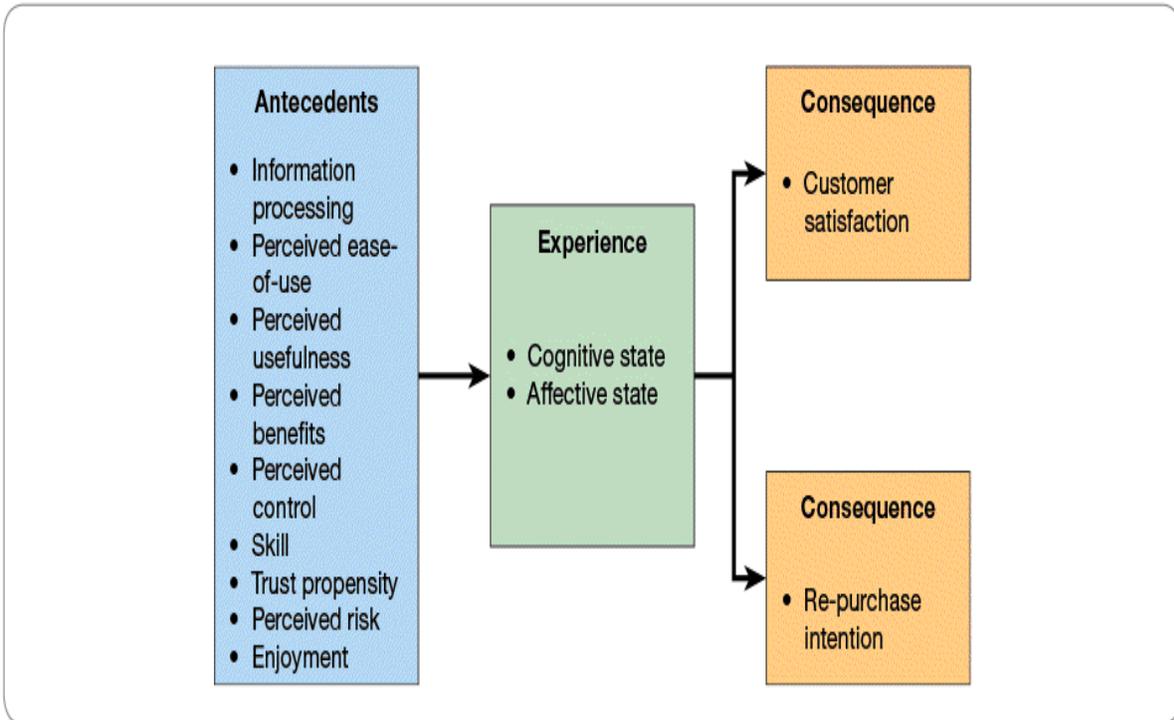
The concept of online customer experience has been widely studied in contexts ranging from service delivery to retailing and tourism (e.g. Arnold *et al.* (2005); Tsai (2005)). [Figure 2.9](#) shows a framework for understanding the concepts that motivate and influence the online consumer. An important point to consider is that past experiences will provide the basis for future evaluations. According to Arnold *et al.* (2005), the antecedents or background to the online experience consist of an important list of concepts that can positively or negatively influence or motive the consumer to engage with a digital offer:

1. **Information processing (IP).** This is very important as it shapes how a consumer deals with available data and information that will shape their future behaviour. IP involves the mental processes and senses an individual uses to interpret the world they inhabit (Wang and Benbasat, 2013).
2. **Perceived ease-of-use.** This also needs consideration by digital marketers, as the easier a website or mobile site is to use, the more likely a customer will have a positive online experience (Cheung, Chan and Limayem, 2005).
3. **Perceived usefulness.** This refers to the extent to which the digital offer fits with the customer's daily life – for instance, shopping, online booking train tickets, banking (Arnold *et al.*, 2005). It is here that the digital marketer can really start to develop a path to consumer benefits.
4. **Perceived benefits.** If a customer feels they will be rewarded in some positive way by engaging with a digital offer, this is likely to generate support for an online brand (Arnold *et al.*, 2005).
5. **Perceived control.** If a customer is a skilled user of the digital technology in question then they will feel they are able to function successfully in this environment. Earlier in the chapter we discussed how some mobile shoppers are confident whereas others are not.
6. **Skill.** This refers to the customer ability to use the technology to achieve their desired goals (Klein and Ford, 2002). It has been found that individuals *learn by doing* in the Internet environment and so build their skill set over time – for example, the more frequent the visitor is to a website the greater their exposure and the higher their ability to engage with this digital content.
7. **Trust and risk.** Both play an important role in how a customer behaves online. Inexperienced Internet users can feel vulnerable and fear the unknown. Customers should be able to achieve their buying goals with or without feeling they are exposed to undue risk (e.g., financial risk, social risk, personal risk). Marketers should seek to find ways to limit the risk of

engaging with their online offer and seek to build trust through developing online relationships (Vize *et al.*, 2013).

8. **Enjoyment.** This is an outcome of a positive online experience.

Figure 2.9 Framework for understanding online customer experiences



Source: Rose and Hair (2011)

A digital marketer should consider how each of these antecedents can influence a customer's motivations to engage with the digital offer and also look for opportunities to create competitive advantage by overcoming potential barriers. These eight antecedents can influence how the customer thinks (cognitive state) and feels (affective state) about their online experience and affect the outcomes of any subsequent behaviour. If the customer has a positive experience this will increase the likelihood of the outcome of the customer being satisfied that they will have positive re-purchase intentions. Digital marketers need to be aware that it is important not only to develop the functional aspects of an online offer but also to consider how the emotional state and past experiences of the customer can affect customers' levels of engagement.

Social media and emotions

It is also important to consider that social media is increasingly influential for capturing and sharing consumer experiences and is a major conduit through

which consumers share, recommend and feedback on their product and service, choices and experiences (Zhang *et al.*, 2018). Social media networks are giving access to personalised recommendations in real time, based on individual personal experiences, which can be highly influential (both positive and negative depending on the nature of the recommendations). The use of social media networks, such as Facebook, Instagram, Twitter and LinkedIn, have risen substantially since 2008. Social media has become important as a means of communicating and interacting online and also as a source of peer recommendations. The capacity of social media networks to display our personal feelings is extensive. See [Digital marketing insight 2.3](#) to find out more about what customers really feel about the products they buy.

Consumer personas

Personas are fictional profiles that represent a particular target audience. Personas are a tool, which can help understand online customer characteristics and behaviour and then create communications more relevant to your audience. Creating personas is a powerful technique for developing customer-centered online strategies, company presences and campaigns and forms part of marketplace analysis.

Personas

Fictional profiles that represent a particular target audience – thumbnail summary of the characteristics, needs, motivations and environment of typical website users.

Digital marketing insight 2.3: How do your customers really feel?

Researchers at Loughborough University have developed a software system, which can analyse thousands of tweets a second in order to extract emotional moods. Their system is called Emotive (Extracting the Meaning Of Terse Information in a Visualisation of Emotion) and it uses social media to detect eight fundamental human emotions: anger, disgust, fear, happiness, sadness, surprise, shame and confusion. The analysis enables the mapping and tracking of emotional moods.

Social media is frequently the first place to break news and is where individuals and companies share their reactions. Understanding the *mood* of a group can be a powerful indicator of behaviour. Emotive has been used successfully to predict the outcome of the 2017 general election in the UK and the US presidential election in 2016.

The potential benefits of this system to digital marketers are that it becomes possible to determine the emotions of various target audiences – for example, a television audience watching a major sporting event. With insights into viewers' moods in real time, the placing of commercials and product advertisements can become highly effective and feedback on what audiences feel about the products and services can also be gathered and analysed to inform future digital marketing initiatives. Emotive can be integrated into apps and websites to capture the emotional perspective of digital visitors and garner their responses to various products and services.

Source: <http://emotive.lboro.ac.uk/>

Personas are essentially a 'thumbnail' description of a type of person. They have been used for a long time in research for segmentation and advertising, but in recent years have also proved effective for improving website design by companies that have applied the technique.

For an example of the application of personas, see [Mini case study 2.3](#) about student consumer personas.

Mini case study 2.3: Personas 'with wings'

AMP is a marketing agency that offers a full suite of services for brands wishing to communicate in the digital marketplace. It uses customer personas as a way of developing understanding of its clients' target audiences. It uses the persona to create a visual and contextual representation of the target audience, using demographics and psychographics. In building this representation, AMP also looks at the use of social media and technology, which gives an understanding of the likely touchpoints the target audience will encounter.

According to Stokes (2015), the Red Bull student persona is:

'The thrill seeker

He's 24 years old

Graduated from college, 2 years ago with an English degree

He is currently the assistant manager at a ski & board shop

He makes £30,000 a year.

Whether it's jumping over cliffs into powder snow on a snowboard, racing down treacherous trails on a mountain bike or hitting the half-pike skateboard, he's there because he's a daredevil. He welcomes the new experiences and loves taking risks with adventurous activities like skydiving and windsurfing. He likes to live a fast-paced life existence and he's always on the go. No matter how daring the challenge, he will always be there with a Red Bull in hand, on high energy and ready to jump.'

By developing a persona using data from a number of different variables it should become possible for marketers, who are developing digital campaigns, to begin to empathise with a particular target audience and develop digital campaigns that not only attract but also meet

the needs of the audience as well as delivering benefits for engaging with the campaign – thereby creating a win–win outcome for the company and its customers.

The buying process

According to Kotler *et al.* (2008), there are different stages in the buying process. At each stage the purpose (from both the buyer and supplier perspective) is a particular outcome:

- awareness;
- interest;
- evaluation;
- trial;
- adoption.

This set of outcomes has been considered in the digital market and Chaffey and Smith (2017) describe them as:

1. problem recognition;
2. information search;
3. evaluation;
4. decision;
5. action (sale or use of online service);
6. post purchase.

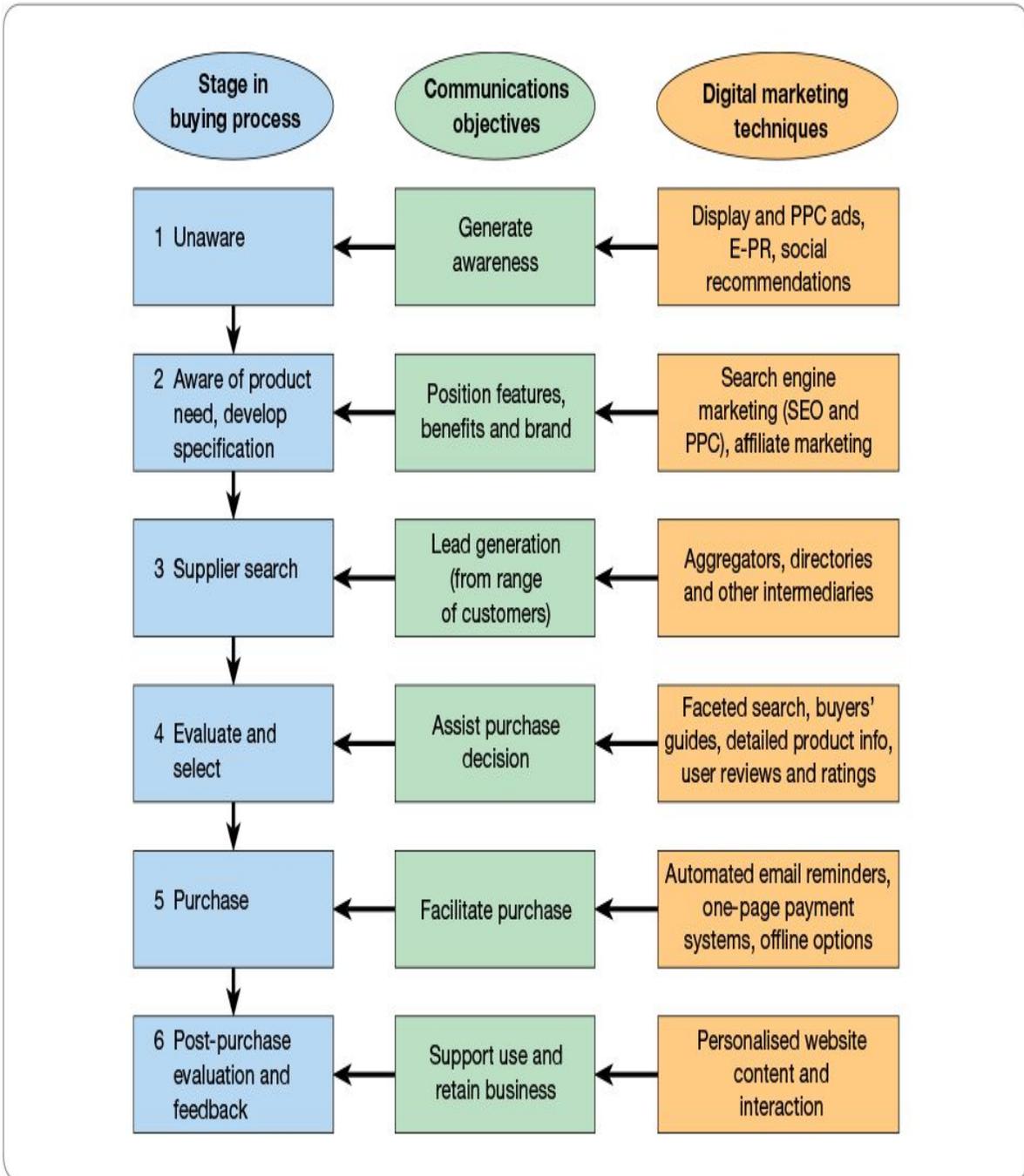
Figure 2.10 gives a summary of how the Internet can be used to support the different stages in the buying process. Note that social media can potentially support each stage as consumers ask others via social networks for recommendations or read reviews and ratings. The boxes on the left show the typical stages that a new prospect passes through, according to, for example, Robinson *et al.* (1967). A similar analysis was performed by Berthon *et al.* (1998), who speculated that the relative communications effectiveness of using a website in this process gradually increased from 1 to 6.

It is worthwhile reviewing each of the stages in the buying process referred to in Figure 2.11 in order to highlight how effective the Internet can be when used at different stages to support the marketing communications objectives. Of course, the exact stage of the buying decision varies for different products and different types of customers. In general, digital media support the consumer buying process as follows.

1 Consumer: unaware. Company: generates awareness (of need for product or service)

Conventionally, generating awareness of need is achieved principally through the mass media used in offline advertising. The Internet is relatively ineffective at this since it tends to have a more limited impact and reach than television, radio or print media. However, display advertising or paid search marketing can be used to supplement offline awareness-building, as explained in [Chapter 8](#). Online equivalents of word of mouth or recommendations from friends or colleagues, perhaps influenced by a viral marketing campaign, can also create awareness of need. Some companies have effectively developed brand awareness by means of PR and media mentions concerning their success on the Internet, with the result that even if a customer does not have a current need for a product, that customer may be aware of the source when the need develops.

Figure 2.10 A summary of how digital media can impact on the buying process for a new purchaser



2 Consumer: aware of need, develops specification. Company: position features, benefits and brand

Once a consumer is aware of a need and is considering what features and benefits he or she requires from a product or online service, then they may turn straight to the web to start identifying the range of features available from a particular type of product using a generic search on search engines such as

Google and Yahoo! So, influencing consumers through search engine marketing and affiliate marketing is important at this stage. Specification development effectively happens at the same time as supplier search and more suppliers can be evaluated in greater depth than traditionally.

3 Consumer: supplier search. Company: generate leads (engage and capture interest)

Once customers are actively searching for products, the web provides an excellent medium to help them do this. It also provides a good opportunity for companies to describe the benefits of their websites and obtain qualified leads. The Internet marketer must consider the methods that a customer will choose for searching and then ensure that the company or its product is featured prominently on these sites, whether they are search engines, aggregators or affiliate intermediaries.

4 Consumer: evaluate and select. Company: assist purchase decision

One of the most powerful features of websites is their facility to carry a large amount of content at relatively low cost. This can be turned to advantage when customers are looking to identify the best product. By providing relevant information in a form that is easy to find and digest, a company can use its website to help in persuading the customer. Digital channels now enable this stage to overlap with earlier stages. Brand issues are important here, as proved by research in the branding section of [Chapter 5](#), since a new buyer naturally prefers to buy from a familiar supplier with a good reputation – it will be difficult for a company to portray itself in this way if it is unknown and has a slow, poorly designed or shoddy website.

5 Consumer: purchase. Company: facilitate purchase

Once a customer has decided to purchase, then the company will not want to lose the custom at this stage! The website should enable standard credit-card payment mechanisms with the option to place the order by phone or mail. Online retailers pay great attention to identifying factors that encourage customers to convert once they have added a product to their ‘shopping basket’. Security guarantees, delivery choices and free delivery offers, for example, can help increase conversion rates.

6 Consumer: post-purchase evaluation and feedback. Company: support product use and retain business

The Internet also provides great potential for retaining customers, as explained in [Chapter 6](#), since:

- value-added services such as free customer support can be provided by the website and these encourage repeat visits and provide value-added features;
- feedback on products can be provided to customers; the provision of such information will indicate to customers that the company is looking to improve its service;
- email can be used to give regular updates on products and promotions and encourage customers to revisit the site;
- repeat visits to sites provide opportunities for cross-selling and repeat selling through personalised sales promotions messages based on previous purchase behaviour.

In this section we have reviewed simple models of the online buying process that can help Internet marketers convert more site visitors to lead and sale; however, in many cases the situation is not as simple as the models.

Members of a community or social network will differ in the extent to which they are connected with others. The most influential network members will be highly connected and will discuss issues of interests with a wider range of contacts than those who are less connected.

The next section explores other sets of players who shape the micro-environment: competitors and then suppliers.

Competitors

For any marketer, a key consideration is developing an understanding of how to satisfy customers better than the competition. In [Chapter 4](#) we explore developing competitive advantage and the value chain in some detail. In this chapter, we will focus on the structure of competitive markets and the way competitors behave.

The shape and nature of online competitive markets

According to Jobber and Ellis-Chadwick (2016), ‘an industry is a group of firms that market products that are close substitutes for each other’. However, some industries are more profitable than others, some are reasonably stable,

while others are highly volatile. The variance between industrial sectors and specific markets is not all down to the abilities of the companies within the market to product customer satisfaction. There are various forces that *shape the rules of competition*. Porter's five forces model (Porter, 1980) has been widely used to help analyse the shape of competition and it is the nature of the forces and how they combine, he suggests, that ultimately allows the five competitive forces to shape strategy and determine how companies compete (Porter, 2008). More recently, Porter and Heppelmann (2014) have discussed the ways in which information technology is revolutionising products and in doing so creating a new wave of technology-driven competition. Smart products have three core elements: 1) the physical components; 2) the smart component; and 3) connectivity, for example a car that is linked to a diagnostic machine, or continual monitoring of the vehicles performance, which then enables remote upgrades, as offered by Tesla. These authors also suggest that smart-connected products have new capabilities, which have tremendous potential to influence the competitive marketplace: monitoring, control, optimisation and autonomy. For example, the iRobot Roomba™ vacuum cleaner has sensors and software, which enables automated cleaning of multiple room layouts. As such products develop, they become able to learn and self-diagnose the service needs of the product owner and eventually the product can operate with very few human interventions. Automated cars are being developed, which will eventually operate completely autonomously from the human passengers.

Porter and Heppelmann (2014) say that 'smart-connected products will have a transformative effect on industry structure'. But they also argue that the well-established five forces model still provides a solid foundation for understanding how technology is reshaping competition and industry structure (shown in [Table 2.2](#)). The five competitive forces are:

- bargaining power of buyers;
- bargaining power of suppliers;
- threat of substitute products and services;
- threat of new entrants;
- intensity of rivalry.

Bargaining power of buyers

This force is important in both B2C and B2B trading situations. From a B2C perspective, the bargaining power of the retail shopper is greatly increased when they are buying through digital channels such as the Internet as they are

able to evaluate products and compare prices. This is particularly true for standardised products where offers from different suppliers can be readily compared through online intermediaries such as search engines and price comparison sites, e.g. Kelkoo™ or Pricerunner™. The Internet has not only opened up opportunities for more customers (in both B2C and B2B sectors) to take advantage of comparing prices but has also extended the scope to commodities products. Furthermore, smart-connected products are increasing opportunities for differentiation. The information provided through product connectivity enables manufacturers to know more about how customers actually use their products and services and this insight enables the creation of better-value goods and services. This knowledge can be used to become more efficient, alter distribution channels and become increasingly responsive to changes in market demand. More tailored and personalised products and services give firms the opportunity to provide more services to their customers and ultimately to generate more profits.

Bargaining power of suppliers

Traditional trading relationships are being challenged in the digital marketplace. Leading tech brands, e.g. Google, Apple, AT&T™, have developed specific capabilities and resources, which they can deploy especially when the demand for connected products and services increases. This gives these firms high bargaining power, especially as the features of smart products become more universal. For example, General Motors™, Audi™ and other major car manufacturers joined together to use the Google Android operating system in their new cars (Porter and Heppelmann, 2014). The fundamental change that is occurring is that the basis of competition shifts away from a single product (from a single firm) towards a wider *product system* (multiple firms).

Threat of substitute products and services

This threat can occur from established or new companies. Smart digital products and services are creating new opportunities for substitution as they can offer increased product capabilities. For example, the Fitbit, a wearable fitness device, offers not only the capacity to monitor activity performance (running, pedometer) but also captures data on sleep patterns and other health-related data (Porter and Heppelmann (2014), enabling the user to vary their behaviour depending on their lifestyle goals. As a result, smart products can offer superior performance.

Threat of new entrants

In the past it was argued that new entrants could benefit from low operating costs and therefore were able to challenge the market. The logic behind the argument is that these new entrants have been able to enter the market rapidly since they do not have the cost of developing and maintaining a distribution network to sell their products and these products do not require a manufacturing base.

However, to succeed, new entrants need to be market leaders in executing marketing and customer service. These are sometimes described as *barriers to success* or *hygiene factors* rather than *barriers to entry*. But new entrants in the digitally connected world are now being challenged by high costs associated with developing complex connected and integrated products and services. According to Porter and Heppelmann (2014), barriers to entry increase when highly agile tech firms are able to leverage first-mover advantage (based on their superior capabilities and resources). But barriers can go down when completely new digital products and services bypass the existing incumbents in a market.

Intensity of rivalry

The nature of the rivalry between the companies trading online is largely determined by the number of players in a market and their relative sizes, the structure of costs and pricing, the switching costs customers will encounter if they change, strategic objectives and exit barriers. The flexibility and scope for smart digital products creates opportunities for firms to differentiate from the competition and to offer a greater range of value-added services, which heats up the intensity of the rivalry. Tailored and specialised goods and services can also increase the opportunity to delight target customers and again cause friction between firms providing similar products. Smart-connected products often span traditional product boundaries and firms can find themselves competing in completely new markets. For example, the Home Connect App™ links household appliances, heating, lighting and other devices together. Amazon Alexa, Tielsa, Nest, IFTTT, mytaste and drop are all partners in the Home Connect ecosystem and they are all competing to be a chosen solution provider in the *connected* home.

By using the five forces model for analysing the structure and nature of the competition, digital marketers can gain insights into how firms compete in a particular marketplace. However, it is important to be aware that actions have consequences – for example, the introduction of a new feature or service may stimulate a response from a competitor. Therefore, the next step for the digital

marketer is to develop understanding of their competitors and how they might respond. But this is becoming a complex exercise as the boundary lines between products services and firms are blurring. According to Porter and Heppelmann (2014), the competitive boundaries are expanding to encompass sets of related products and as a consequence the ‘basis of competition thus shifts from the functionality of a discrete product to the performance of a broader product system’. But these authors also remind us that it is important not to lose sight of the end user – for example, adding functionality that buyers don’t want to pay for doesn’t add value.

The next sub-section explores how to analyse competitors and assess their potential.

Competitor analysis and benchmarking

Competitor analysis and benchmarking of competitor use of digital marketing for acquisition and retention of customers is especially important because of the dynamic nature of smart-connected digital products. As Porter and Heppelmann (2014) have suggested, this dynamism enables new services to be launched and elements of the marketing mix, such as price and promotion, to be changed far more frequently in the digital era. Copying of concepts and approaches within sectors is rife, but can sometimes be controlled through patenting. For example, **Amazon.com** has patented the ‘One Click’ approach to purchase, so this term and approach is not seen on other sites. The implications of this dynamism are that **competitor benchmarking** is not a one-off activity while developing a strategy, but it needs to be continuous.

Competitor analysis

Involves identifying the companies that are competing for our business and then reviewing what they are good at, what are their strengths, where are their weaknesses, what are they planning, where do they want to take the company and how do they behave when other companies try to take their market share.

Competitor benchmarking

A structured analysis of the online services, capabilities and performance of an organisation within the areas of customer acquisition, conversion, retention and growth.

Competitor benchmarking is the term used for structured comparison of digital marketing approaches of an organisation’s services within a market. Its purpose

is to identify threats posed by changes to competitor offerings, but also to identify opportunities for enhancing a company's own web services through looking at innovative approaches in non-competing companies. Competitor benchmarking is closely related to developing the customer proposition and brand experience and is informed by understanding the requirements of different customer personas, as introduced earlier in this chapter.

Benchmarking of services has different perspectives that serve different purposes:

1. **Internal capabilities:** such as resourcing, structure and processes vs *external customer-facing* features of the sites.
2. **Different aspects of the customer lifecycle:** customer acquisition, conversion to retention. Capabilities are benchmarked in each of the activities shown in [Figure P.1](#) in the Preface. For example, what are the capabilities of a competitor within search marketing through reviewing their presence in the paid and natural listings of the search engines?
3. **Qualitative to quantitative:** from qualitative assessments by customers through surveys and focus groups to quantitative analysis by independent auditors of data across customer acquisition (e.g. number of site visitors or reach within market, cost of acquisition, number of customers, sales volumes and revenues and market share); conversion (average conversion rates) and retention such as repeat conversion and number of active customers.
4. **In-sector and out-of-sector:** benchmarking against similar sites within sector and reviewing out-of-sector to sectors that tend to be more advanced, e.g. online publishers, social networks and brand sites. Benchmarking services are available for this type of comparison from analysts such as Bowen Craggs Index (www.bowencraggs.com). An example of one of their benchmark reports is shown in [Figure 2.11](#). You can see that this is based on the expert evaluation of the suitability of the site for different audiences as well as measures under the overall construction (which includes usability and accessibility), message (which covers key brand messages and suitability for international audiences) and contact (which shows integration between different audiences). Although some research into site types is based on the presence or absence of a feature, [Figure 2.11](#) is based on an expert review taking ten hours. The methodology states: 'it is not "tick box": every metric is judged by its existence, its quality and its utility to the client, rather than "Is it there or is it not?"'

5. **Financial to non-financial measures:** through reviewing competitive intelligence sources such as company reports or tax submissions, additional information may be available on turnover and profit generated by digital channels. But other forward-looking aspects of the company's capability that are incorporated on the balanced score measurement framework (see [Chapter 4](#)) should also be considered, including resourcing, innovation and learning.
6. **From user experience to expert evaluation:** benchmarking research should take two alternative perspectives, from actual customer reviews of content and usability to expert evaluations.

In the physical world, a company's competitors tend to be visibly active in any given market and therefore are well known. However, in digital environments there may be new entrants that have the potential to achieve significant market share, which are less visible until they grow to a significant size. This is particularly the case with retail sales. For example, successful new companies have developed on the Internet that sell books, music, CDs and electronic components. As a consequence, companies need to review the Internet-based performance of both existing and new players. Companies should review:

- well-known local competitors (for example, UK or European competitors for British companies);
- well-known international competitors;
- new Internet companies – local and worldwide (within sector and out of sector).

As well as assessing competitors on performance criteria, it is also worthwhile categorising them in terms of their capability to respond. Deise *et al.* (2000) suggest an equation that can be used in combination to assess the capability of competitors to respond:

$$\text{Competitive capability} = \frac{\text{agility} \times \text{reach}}{\text{time-to-market}}$$

'Agility' refers to the speed at which a company is able to change strategic direction and respond to new customer demands. 'Reach' is the ability to connect to or to promote products and generate new business in new markets. 'Time-to-market' is the product lifecycle from concept through to revenue generation or, more generally, it can be considered how long it takes to implement new digital marketing services, e.g. social network integration.

Companies with a high competitive capability within their market and competitive markets are arguably the most important ones to watch.

In summary, it is important for digital markets to be able to identify and understand their competitors and in doing so be able to infer what their strategies and future activities might be. We revisit competitor benchmarking in more detail in Chapters 4, 7 and 10.

Figure 2.11 Benchmark comparison of corporate websites

Pos	Company	Construction	Message	Contact	Serving society	Serving investors	Serving the media	Serving job seekers	Serving customers	Total	URL	Country
	maximum score	60	48	12	32	32	32	32	32	280		
1	GSK	44	40	11	26	24	22	27	22	216	www.gsk.com	UK
2	Bayer	48	39	9	26	25	25	22	19	213	www.bayer.com	Germany
3	BP	49	38	8	26	27	19	22	24	213	www.bp.com	UK
4	Nestlé	45	41	11	28	23	25	20	20	213	www.nestle.com	Switzerland
5	Eni	45	39	11	27	26	22	20	22	212	www.eni.com	Italy
6	Unilever	47	39	9	26	25	19	21	23	209	www.unilever.com	UK
7	Siemens	37	39	9	25	24	25	23	24	206	www.siemens.com	Germany
8	Roche	42	39	7	26	21	20	25	25	205	www.roche.com	Switzerland
9	Shell	40	36	8	24	29	19	23	26	205	www.shell.com	UK
10	BASF	40	37	8	22	25	22	26	22	202	www.basf.com	Germany

Source: Bowen Craggs & Co. (www.bowencraggs.com)

Suppliers

Traditionally, suppliers deliver the goods and services a business needs to carry out its business activities further down the supply chain. In the digital marketplace, the supply chain can take many different forms depending on whether physical or digital products are involved. The most significant aspect of monitoring suppliers in the context of digital marketing is with respect to the effect suppliers have on the value of quality of product or service delivered to the end customer. Key issues include the effect of suppliers on product price, availability and features. Digital channels have had a significant impact in some business activity sectors, resulting in new channel structures for supply chains and new types of suppliers, which offer specialist services to the digital industry as a whole. The new suppliers act as intermediaries and offer a wide range of specialist services: website development, technology management and integration.

Digital marketing intermediaries

Marketing intermediaries are firms that can help a company to promote, sell and distribute its products or services. They should not be confused with Internet service providers, who develop websites and provide hosting services. In the Internet context, online marketing intermediaries can be contrasted with destination sites, which are typically merchant sites owned by manufacturers or retailers that offer information and products (in reality any type of site can be a **destination site**, but the term is generally used to refer to merchant and brand sites).

Marketing intermediaries

Firms that can help a company to promote, sell and distribute its products or services, for example publisher or media sites, comparison sites, search engines, social networks and blogs.

Destination sites

Sites typically owned by merchants, product manufacturers or retailers providing product information.

Online intermediary sites provide information about destination sites and are a means of connecting Internet users with product information. The best-known online intermediaries are publishers or media sites covering general news and entertainment. Many of these have print and online versions, but online-only publishers such as the Huffington Post, Mashable™ and BuzzFeed™ have built up considerable reach and influence. Many specialists online publishers and blogs have developed catering for specific consumer and business interests. Other consumer intermediaries such as Kelkoo (www.kelkoo.com) and Bizrate™ (www.bizrate.com) provide price comparison for products, as described earlier in this chapter. [Mini case study 2.4](#) gives an example of one of the most successful online intermediaries.

Online intermediary sites

Websites that facilitate exchanges between consumer and business suppliers.

Mini case study 2.4: Alibaba™ provides a global market for all

Alibaba.com is one of the leaders of e-commerce transactions in China. It provides a marketplace connecting small and medium-sized buyers and suppliers from China and around the world. Its web presence includes an international marketplace (www.alibaba.com) which focuses on global importers and exporters and a China marketplace (www.alibaba.com.cn), which focuses on suppliers and buyers trading domestically in China.

From a launch in 1999 the marketplaces have grown such that Alibaba's consumer-to-consumer portal Taobao, similar to eBay.com, features millions of products and is one of the most-visited websites globally.

In November 2007, Alibaba launched on the Hong Kong stock exchange and raised HK\$13.1 billion (US\$1.7 billion) in gross proceeds before offering expenses making it the largest Internet IPO in Asia and the second-largest globally. In September 2017, Alibaba's market value was measured as US\$400 billion at a US IP.

Jack Ma's driving vision was to build an e-commerce ecosystem that allows consumers and businesses to do all aspects of business online. By 2006 he had done so well it caused one of its major competitors eBay to close its operation in China. The Alibaba Group's flagship company is a world-leading B2B e-commerce company and Taobao is China's largest online retail website, which provides a portal for shopping, socialising and sharing information. Alibaba also now provides cloud computing and a range of other computing services and has become one of China's leading Internet portals. Alibaba recently created a live entertainment business, taking it further away from its origins and into new markets.

Source: Ali Baba Press releases, [Alibaba.com Limited Trading Debut](http://resources.alibaba.com/article/225276/Alibaba_com_Limited_Trading_Debut.htm), 7 November 2007, http://resources.alibaba.com/article/225276/Alibaba_com_Limited_Trading_Debut.htm (accessed May 2018); Riding the Blind Tiger: The Unlikely Rise of Alibaba CEO, Jack Ma, 8 January 2008, http://resources.alibaba.com/article/246718/Riding_the_Blind_Tiger_The_Unlikely_Rise_of_Alibaba_CEO_Jack_MA.htm (accessed May 2018).

Online intermediaries are businesses that support business and consumer audiences, so they can serve both B2B and B2C information exchanges. Auction sites are another type of online intermediary that support the B2B and the C2C exchanges introduced in [Chapter 1](#).

For marketers to extend the visibility or reach of their company online, they need to be well represented by a range of intermediaries and publishers through using sponsorships, online adverts, PR and influencer outreach, content and search marketing, as explained in [Chapter 8](#).

New channel structures

Channel structures describe the way a manufacturer or selling organisation delivers products and services to its customers. Traditionally, a distribution channel will consist of one or more intermediaries, such as wholesalers and retailers. For example, traditionally a book publisher was unlikely to distribute its books directly to the end consumer, instead using wholesalers that have a large warehouse of titles that are then distributed to individual branches according to demand. A company selling business products may have a longer distribution channel involving more intermediaries.

Channel structure

The configuration of partners in a distribution channel.

The relationship between a company and its channel partners can be dramatically altered by the opportunities afforded by digital channels: web, mobile and social media networks. This occurs because the Internet offers a means of bypassing some of the channel partners. This process is known as **disintermediation** or, in plainer language, ‘cutting out the middleman’. For example, publishers such as Pearson now have the option to sell texts such as this or ebooks direct to students like you, removing the need to pay distribution fees to wholesalers or retailers in this case.

Disintermediation

The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers.

Figure 2.12 illustrates disintermediation in a graphical form for a simplified retail channel. Further intermediaries, such as additional distributors, may occur in a business-to-business market. **Figure 2.13** (a) shows the former position where a company marketed and sold its products by ‘pushing’ them through a sales channel; it also shows two different types of disintermediation in which the wholesaler (b) or the wholesaler and retailer (c) are bypassed, allowing the producer to sell and promote direct to the consumer. The benefits of disintermediation to the producer are clear – it is able to remove the sales and infrastructure cost of selling through the channel, and some of these cost savings can be passed on to the customer in the form of cost reductions.

Moreover, since purchasers of products still require assistance in the selection of products, this led to the creation of new intermediaries, a process referred to as **reintermediation**.

Reintermediation

The creation of new intermediaries between customers and suppliers providing services such as supplier search and product evaluation.

Following disintermediation, where the customer goes direct to different suppliers to select a product, this becomes inefficient for the consumer. Take the example of someone buying insurance – to decide on the best price and offer, they would have to visit say five different insurers and then return to the one they decide to purchase from. Reintermediation removes this inefficiency by placing an intermediary between the purchaser and seller. This intermediary performs the price evaluation stage of fulfilment since its database has links updated from prices contained within the databases of different suppliers.

Figure 2.12 Disintermediation of a consumer distribution channel showing: (a) the original situation; (b) disintermediation omitting the wholesaler; and (c) disintermediation omitting both wholesaler and retailer

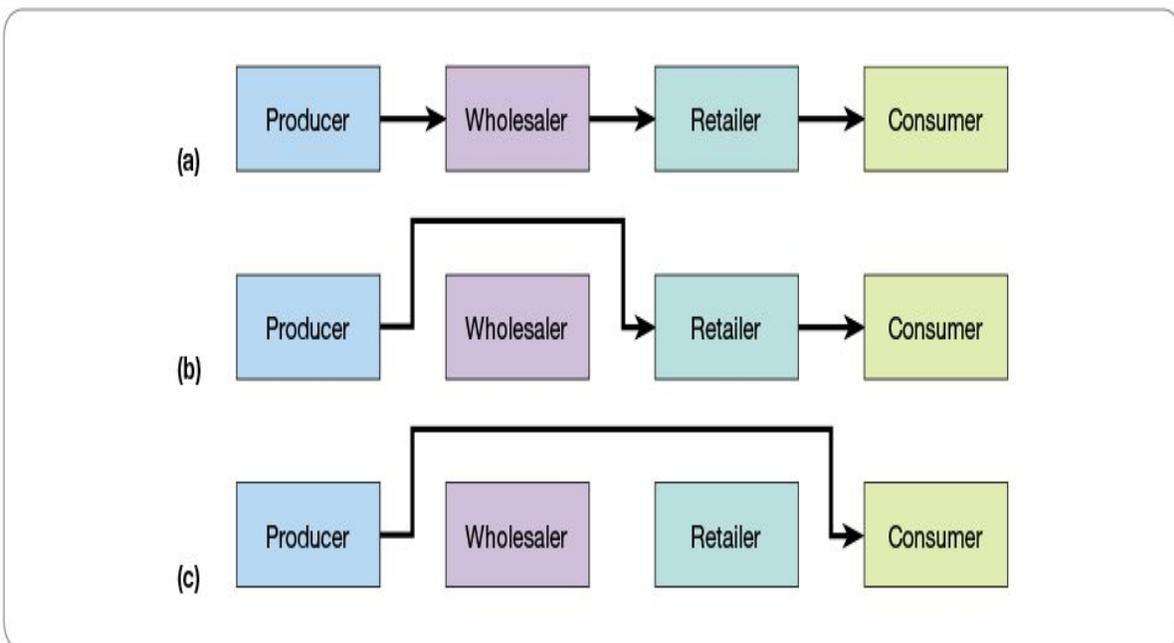
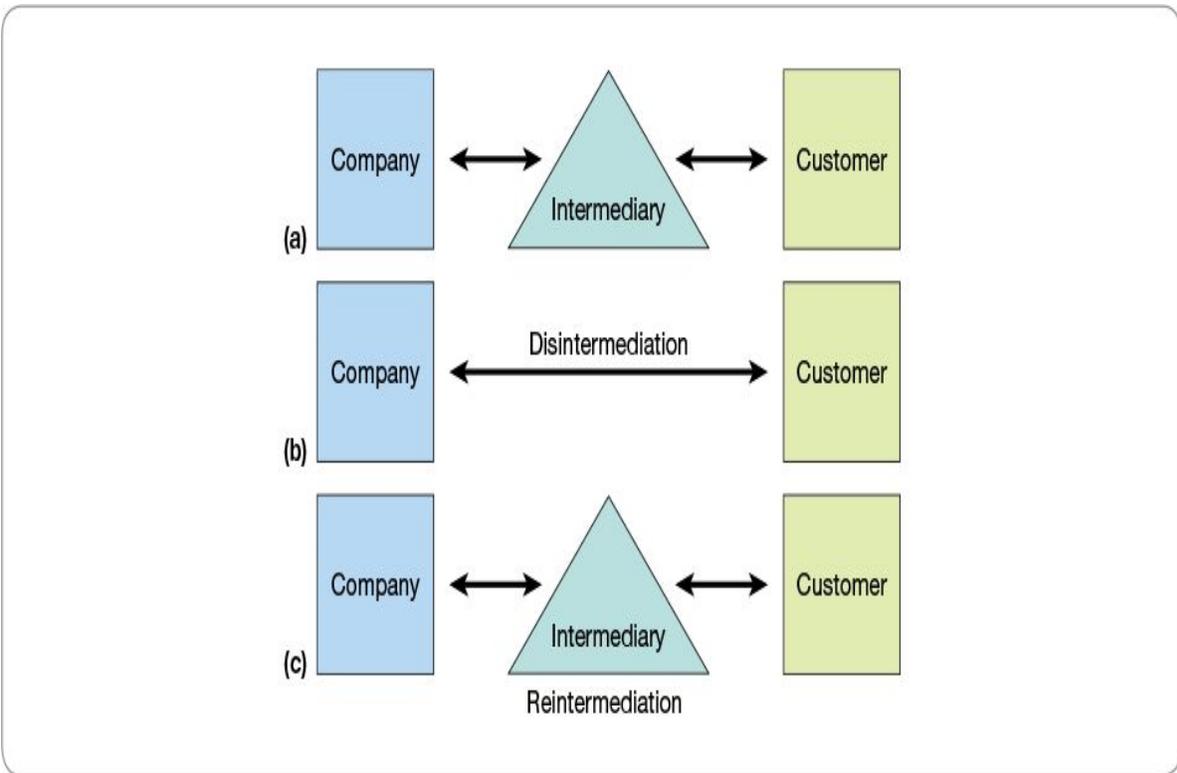


Figure 2.13 From (a) original situation to (b) disintermediation or (c) reintermediation or countermediation



What are the implications of reintermediation for the Internet marketer? First, it is necessary to make sure that a company, as a supplier, is represented with the new intermediaries operating within your chosen market sector. This implies the need to integrate, using the Internet, databases containing price information with that of different intermediaries. For example, Google through its Google Shopping Product Listing Ads (PLAs) has become a major intermediary mediating access to retail inventory. This is well known and has given rise to anti-competition charges in Europe where Google has had to adjust its service. It is looking to grow its influence in other sectors such as travel and financial services, where it can compare flights and credit card deals for example.

Secondly, it is important to monitor the prices of other suppliers within this sector (possibly by using the intermediary website for this purpose). Thirdly, long-term partnering arrangements such as sponsorships need to be considered. Finally, it may be appropriate for them to create their own intermediary to compete with existing intermediaries or to pre-empt similar intermediaries. For example, the Thomson Travel Group™ set up [Latedeals.com](http://www.thomson.co.uk/late-deals/late-deals.html) (<http://www.thomson.co.uk/late-deals/late-deals.html>) in direct competition with [Lastminute.com](http://www.lastminute.com) (www.lastminute.com).

Digital business models for e-commerce

Defining a clear business model is essential for startup businesses trading in the digital world to be successful. For existing businesses moving part or all of their operations online it is equally important to consider how to refine their current business model or add new services in the light of new opportunities made possible by the Internet. The Business Model Canvas developed by Osterwald and Pigneur (2010) is a valuable framework for summarising strategy for online businesses and in particular startups, who have to summarise their business model to investors. It was published as part of a co-creation project involving 470 practitioners from 45 countries. It's also available as an app and downloadable templates on the Business Model Generation site (<http://www.businessmodelgeneration.com>).

The main sections of the canvas, in a logical order to consider them, are:

1. **Value proposition.** This is at the heart of what the business offers to its audiences and is arguably most important to success. More details are provided in a follow-up book by Osterwalder *et al.* (2014).
2. **Customer segments.** Different target audiences the value propositions will appeal to. In the business model canvas, the alternatives recommended are mass market, niche market, segmented (broken down further) or a range of diverse segments.
3. **Customer relationships.** The types of relationships that will be formed, for example self-service, automated services, communities or more personal assistance and this may include co-creation of content.
4. **Channels.** The methods by which an organisation's services will be delivered and the audiences reached.
5. **Key partners.** To exploit online and offline value networks, forming partnerships gives an opportunity of expanding reach and taking advantage of existing organisations and online influencers that have built an audience.
6. **Activities.** The main activities that need to be performed to deliver the value proposition to develop revenue.
7. **Resources.** Different types of process and people to complete the activities to create and deliver the value proposition.
8. **Cost structure.** Different cost-elements, which should be checked against activities and resources. Costs are classically broken down into fixed and variable costs and economies of scale.

9. **Revenue stream.** This is the method by which a business derives income. Common online options are: ad revenue, subscription fees, sales of physical or virtual goods or affiliate-based commission arrangements. Licensing and leasing are other alternatives.

An example of how these nine different elements of a business model can be applied is shown in [Figure 2.14](#).

It's a great framework, but it's always worth considering what the missing elements of frameworks are. It's arguably missing a method of specifying **key performance indicators (KPIs)** for evaluating performance of the business model. We recommend adding these to the relevant sections, in particular for revenue stream, cost structure and key activities. It also doesn't directly consider the impact of different forms of competitors. To help here, it's also useful to think through how the canvas would look for successful companies already active in this market.

<p>Key performance indicators (KPIs) Metrics used to assess the performance of a process and/or whether set goals are achieved.</p>
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Figure 2.14 Example of a business model canvas summary

Business model summary		Created for: <i>SmartInsights.com</i> By: <i>Dave Chaffey</i>		Date: <i>1st May 2013</i> Version: <i>1.0</i>	
KP: key partners <ul style="list-style-type: none"> • Experts – sector specialists • Marketing agency and freelancers • Online Publishers e.g. iMedia Connection • Publishing/conference organisers • Industry influencers and bloggers • Trade organisations e.g. www.theidm.com 	KA: Key activities <ul style="list-style-type: none"> • Content creation • Experience creation • Service promotion • Sales maximisation 	VP: Value proposition <ul style="list-style-type: none"> • Help businesses grow value by improving cross channel marketing communications using recommendations from ebooks, courses and software • Support individual learning and development • Deliver specific consulting or training advice or mentoring 	CR: Customer relationships <ul style="list-style-type: none"> • Self-service • Dedicated mentoring and consulting • Co-creation – blog posts and forum 	CS: Customer segments Businesses wanting to improve their returns from marketing Role: <ul style="list-style-type: none"> • Company owners • Marketing managers • Digital marketing managers • Consultants Company type/sector <ul style="list-style-type: none"> • Consultant • Business type • Agency • B2B • Ecommerce/retail • Not-for-profit 	C: Channels <ul style="list-style-type: none"> • Search marketing • Email marketing • Partner arrangements • Social media marketing • Paid advertising
	KR: Key resources <ul style="list-style-type: none"> • Content creation X2 • Development X2 • Marketing X1 		C: Cost structure Fixed costs <ul style="list-style-type: none"> • Salary • Hosting and software costs Variable costs <ul style="list-style-type: none"> • Content creation • Agency marketing fees • Advertising fees 		

Source: SmartInsights.com with permission.

We will look further at how to define elements of the business model such as value proposition and targeting in Chapters 5 and 8.

A review of the different **online business models** made available through e-commerce is of relevance to existing companies, but in particular start-up companies and online intermediaries. Venkatram (2000) pointed out that existing businesses needed to use the Internet to build on current business models, while at the same time experimenting with new business models. New business models may be important to gain a competitive advantage over existing competitors, while at the same time heading off similar business models created by new entrants. More commonly, they may simply offer a

different revenue stream through advertising or charging for services in a new way. For digital startups the viability of a business model and in particular their sources of revenue will be crucial to funding from venture capitalists. But what is a business model?

Online business model

A summary of how a company will generate a profit – identifying its core product or service value proposition, target customers in different markets, position in the competitive online marketplace or value chain and its projections for revenue and costs.

Figure 2.15 suggests a different perspective for reviewing alternative business models. There are three different perspectives from which a business model can be viewed. Any individual organisation can operate in different categories, as the examples below show, but most will focus on a single category for each perspective. Such a categorisation of business models can be used as a tool for formulating e-business strategy. The three perspectives, with examples, are:

1. **Marketplace position perspective.** The book publisher here is the manufacturer, Amazon is a retailer and Yahoo! is both a retailer and a marketplace intermediary.
2. **Revenue model perspective.** The book publisher can use the web to sell direct, while Yahoo! and Amazon can take commission-based sales. Yahoo! also has advertising as a revenue model.
3. **Commercial arrangement perspective.** All three companies offer fixed-price sales, but, in its place as a marketplace intermediary, Yahoo! also offers alternatives.

Figure 2.15 Alternative perspectives on business models

1. Marketplace position	2. Revenue model	3. Commercial model
<p>Manufacturer or primary service provider</p> <p>B</p>	<p>Direct product sales of product or service</p> <p>B</p>	<p>Fixed-price sale</p> <p>B A Y</p>
<p>Reseller/retailer (intermediary)</p> <p>A Y</p>	<p>Subscription or rental of service</p> <p>B</p>	<p>Brokered or negotiated deal</p> <p>Y</p>
<p>Marketplace/exchange (intermediary)</p> <p>Y</p>	<p>Commission-based sales (affiliate, auction, marketplace)</p> <p>A Y</p>	<p>Auction or spot</p> <p>Y</p>
<p>Media owner or publisher (intermediary)</p> <p>Y</p>	<p>Advertising (banner ads, sponsorship)</p> <p>Y</p>	<p>Product or service bundling</p>
<p>Supply chain provider or integrator</p>	<p>Sales of syndicated content or services (for media owner)</p>	<p>Loyalty-based pricing or promotions</p>
<p>Not-for-profit organisation</p>		

Key
Y = Yahoo!
A = Amazon
B = Book publisher

Digital revenue models

Revenue models specifically describe different techniques for generation of income. For existing companies, revenue models have mainly been based upon

the income from sales of products or services. This may be either for selling direct from the manufacturer or supplier of the service or through an intermediary that will take a cut of the selling price. Both of these revenue models are, of course, still crucial in online trading. There may, however, be digital options for generating revenue; a manufacturer may be able to sell advertising space or sell digital services that were not previously possible.

Revenue models

Describe methods of generating income for an organisation.

Digital publisher and intermediary revenue models

For a publisher, there are many options for generating revenue online based around advertising and fees for usage of the online service. These options, particularly the first four in the list below, can also be reviewed by other types of business such as price comparison sites, aggregators, social networks and destination sites which can also carry advertising to supplement revenue. The main types of online revenue model are:

1. **CPM display advertising on site.** **CPM** stands for ‘cost per thousand’ where M denotes ‘mille’. This is the traditional method by which site owners charge a fee for advertising. The site owner charges advertisers a rate card price (for example £50 CPM) according to the number of times ads are served to site visitors. Ads may be served by the site owner’s own ads server or more commonly through a third-party ad network service such as DoubleClick (which is owned by Google).
2. **CPC advertising on site (pay-per-click text ads).** **CPC** stands for ‘cost per click’. Advertisers are charged not simply for the number of times their ads are displayed, but according to the number of times they are clicked upon. Facebook has a choice of CPC or CPM for its advertisers. Google’s AdWord programme is primarily CPC for sponsored ads displayed to searchers, but it offers CPM on content network of publishers known as the Google Display Network (GDN). Google has its AdSense (<http://adsense.google.com>) program for publishers that enables them to offer text- or image-based ads typically on a CPC basis, but optionally on a CPM basis. Typical CPCs for search ads can be surprisingly high, i.e. they are in the range £0.10 to £4, but sometimes up to £20 for some categories such as ‘life insurance’. The revenue for search engines and publishers from these sources can also be significant: Google’s annual reports

(<http://investor.google.com>) show that this is around one fifth of Google's ad revenue.

3. **Sponsorship of site sections or content types (typically fixed fee for a period).** A company can pay to advertise a site channel or section. For example, the healthcare firm Bupa sponsors healthcare advice on The Guardian publisher site. This type of deal is often struck for a fixed amount per year. It may also be part of a reciprocal arrangement, sometimes known as a 'contra-deal', where neither party pays.
4. **Affiliate revenue (CPA, but could be CPC).** Affiliate revenue is commission based – for example, I display Amazon books on my site DaveChaffey.com and receive around 5 per cent of the cover price as a fee from Amazon. Such an arrangement is sometimes known as **cost per acquisition (CPA)**. Increasingly, this approach is replacing CPM or CPC approaches where the advertiser has more negotiating power. For example, manufacturing company Unilever negotiates CPA deals with online publishers where it paid for every email address captured by a campaign rather than a traditional CPM deal. However, it depends on the power of the publisher, who will often receive more revenue overall for CPM deals. After all, the publisher cannot influence the quality of the ad creative or the incentivisation to click, which will affect the clickthrough rate and so earnings from the ad.
5. **Transaction fee revenue.** A company receives a fee for facilitating a transaction. Examples include eBay and PayPal who charge a percentage of the transaction cost between buyer and seller.
6. **Subscription access to content or services.** A range of documents can be accessed from a publisher for a fixed period. These are often referred to as premium services on websites.
7. **Pay-per-view access to documents.** Here payment occurs for single access to a document, video or music clip that can be downloaded. It may or may not be protected with a password or **digital rights management (DRM)**. I pay to access detailed best-practice guides on Internet marketing from Marketing Sherpa (www.marketingsherpa.com).
8. **Subscriber data access for email marketing.** The data a site owner has about its customers are also potentially valuable since it can send different forms of email to its customers if they have given their permission that they are happy to receive email from either the publisher or third parties. The site owner can charge for adverts placed in its newsletter or can deliver a separate message on behalf of the advertiser (sometimes known

as ‘list rental’). A related approach is to conduct market research with the site customers.

CPM (cost per thousand)

The cost to the advertiser (or the revenue received by the publisher) when an ad is served 1,000 times.

CPC (cost per click)

The cost to the advertiser (or the revenue received by the publisher) of each click of a link to a third-party site.

Cost per acquisition (CPA)

The cost to the advertiser (or the revenue received by the publisher) for each outcome such as a lead or sale generated after a click to a third-party site.

Digital rights management (DRM)

The use of different technologies to protect the distribution of digital services or content such as software, music, movies or other digital data.

Forecasting revenue for an online business

Site owners can develop models of potential revenue depending on the mix of revenue-generating techniques from the four main revenue options they use on the site given in the options above.

Consider the capacity of a site owner to maximise revenue or ‘monetise’ their site – which factors will be important? The model will be based on assumptions about the level of traffic and number of pages viewed plus the interaction with different types of ad unit. Their ability to maximise revenue will be based on these factors, which can be modelled in the spreadsheet shown in [Figure 2.16](#):

- **Number and size of ad units.** This is a delicate balance between the number of ad units in each site section or page – too many obtrusive ad units may present a bad experience for site users, too few will reduce revenue. [Figure 2.16](#) has a parameter for the number of ad units or containers in each ad revenue category. There is a tension with advertisers who know that the awareness and response they generate from their ads is

maximised when they are as large as practical and in prominent placements. A more accurate revenue model would develop revenue for different page types such as the home page and different page categories, e.g. the money or travel sections.

- **Capacity to sell advertising.** [Figure 2.16](#) also has a parameter for the percentage of ad inventory sold in each category – for example, for the CPM ad display revenue only 40 per cent of inventory may be sold. This is why you may see publisher sites with their own ‘house ads’ – it is a sign they have been unable to sell all their ad space. A benefit of using the Google AdSense publisher program is that inventory is commonly all used.
- **Fee levels negotiated for different advertising models.** These will depend on the market competition or demand for advertising space. For ‘pay-per-performance’ advertising options such as the CPC and CPA models, it also depends on the response. In the first case, the site owner only receives revenue when the ad is clicked upon and in the second case, the site owner only receives revenue when the ad is clicked upon and a product is purchased on the destination merchant site.
- **Traffic volumes.** More visitors equate to more opportunities to generate revenue through serving more pages (which helps with CPM-based advertising) or more clicks to third-party sites (which helps generate revenue from CPC and CPA deals).
- **Visitor engagement.** The longer visitors stay on a site (its ‘stickiness’), the more page views that will accumulate, which again gives more opportunities for ad revenue. For a destination site a typical number of page views per visit would be in the range five to ten, but for a social network, media site or community the figure could be greater than 30.

Considering all of these approaches to revenue generation together, the site owner will seek to use the best combination of these techniques to maximise the revenue. An illustration of this approach is shown in [Figure 2.16](#).

To assess how effective different pages or sites in their portfolio are at generating revenue using these techniques, site owners will use two approaches. The first is eCPM, or effective cost per thousand. This looks at the total the advertiser can charge (or cost to advertisers) for each page or site. Through increasing the number of ad units on each page this value will increase. The other alternative to assess page or site revenue-generating effectiveness is revenue per click (RPC), also known as ‘earnings per click’ (EPC).

Alternatively, revenue can be calculated as ad revenue per 1,000 site visitors. This is particularly important for affiliate marketers who make money through

commission when their visitors click through to third-party retail sites, and then purchase there.

[Activity 2.3](#) explores some of the revenue models that are possible.

To conclude this chapter, read the following case study about the dot.com failure **Boo.com**TM. We can learn from studying the mistakes of others, and have chosen this example since it shows what can happen when a company does not understand the marketplace and does not have clear goals.

Figure 2.16 Revenue model spreadsheet

Ad revenue option	Measure	Site
Display advertising (CPM)	Pages served	100,000
	CPM (Cost Per Thousand)	£2
	% Inventory served	40%
	Avg. Clickthrough (CTR %)	0.10%
	Ad units served per page	2
	Clicks – CPM ads	80
	Revenue – display ads	£160
	Earnings per 100 clicks (EPC)	£200
	eCPM – display ads	£1.60
Fixed run-of-site sponsorship	% Inventory served	100%
	Avg. Clickthrough (CTR %)	0.30%
	Ad units served 1	1
	Clicks – fixed	300
	Revenue – fixed sponsorship	£3,000
	Earnings per 100 clicks (EPC)	£1,000
Text ad advertising (CPC)	eCPM – fixed	£30
	% Inventory served	100%
	Avg. Clickthrough (CTR %)	1%
	Avg. Cost Per Click	£0.30
	Ad units served per page	1
	Clicks – CPC ads	1,000
	Revenue – CPC ads	£300
	Earnings per 100 clicks (EPC)	£30
eCPM – CPC ads	£3	
Affiliate commission	% Inventory served	100%
	Avg. Clickthrough (CTR %)	0.50%
	Ad units served per page	1
	Clicks – Affiliates	500
	Destination conversion rate (%)	3%
	Average order value	£100
	Commission %	10%
	Revenue – affiliates	£150
	Earnings per 100 clicks (EPC)	£30
	eCPM – affiliates	£1.50
Overall metrics for site	Clicks – total	1,880
	Revenue – total	£3,610
	Earnings per 100 clicks (EPC) – total	£192.02
	eCPM – total	£36.10

Blue cells = input variables – vary these for 'what-if' analysis

Orange cells = Output variables (calculated – do not overwrite)

Activity 2.3

Revenue models at marketing membership sites

Purpose

To illustrate the range of revenue-generating opportunities for an online publisher. This site looks at three alternative approaches for publishing, referencing three different types of portal.

Activity

Visit the International Telecoms Union, free statistics section (<http://www.itu.int>), and find answers to these questions:

1. Which regions of the world have the highest and lowest number of Internet users as a proportion of the total population?
2. Which regions of the world have the highest and lowest number of mobile users as a proportion of the total population?
3. What are the implications for a digital strategist in a large organisation?

Case study 2: Boo hoo – learning from the largest European dot.com failure

Context

‘Unless we raise \$20 million by midnight, [boo.com](#) is dead.’ So said [Boo.com](#) CEO Ernst Malmsten on 18 May 2000. Half the investment was raised, but this was too little, too late, and at midnight, less than a year after its launch, [Boo.com](#) closed. The headlines in the *Financial Times* the next day read: ‘Boo.com collapses as investors refuse funds. Online sports retailer becomes Europe’s first big Internet casualty.’

The [Boo.com](#) case remains a valuable case study for all types of businesses, since it doesn’t only illustrate the challenges of managing e-commerce for a clothes retailer, but rather highlights failings in e-commerce strategy and management that can be made in any type of organisation.

Company background

[Boo.com](#) was founded in 1998 by three Swedish entrepreneurs, Ernst Malmsten, Kajsa Leander and Patrik Hedelin. Malmsten and Leander had previous business experience in publishing, where they created a specialist publisher and had also created an online bookstore, [bokus.com](#), which in 1997 became the world’s third-largest book e-retailer behind

Amazon and Barnes & Noble. They became millionaires when they sold the company in 1998. At **Boo.com**, they were joined by Patrik Hedelin who was also the financial director at bokus, and at the time they were perceived as experienced European Internet entrepreneurs by the investors who backed them in their new venture.

Company vision

The vision for **Boo.com** was for it to become the world's first online global sports retail site. It would be a European brand, but with a global appeal. Think of it as a sports and fashion retail version of Amazon. At launch it would open its virtual doors in both Europe and America with a view to 'amazonizing the sector'. Note, though, that Amazon did not launch simultaneously in all markets. Rather it became established in the US before providing local European distribution.

The **Boo.com** brand name

According to Malmsten *et al.* (2001), the 'Boo' brand name originated from film star Bo Derek, best known for her role in the movie *10*. The domain name 'bo.com' was unavailable, but adding an 'o', they managed to procure the domain 'boo.com' for \$2,500 from a domain name dealer. According to Rob Talbot, director of marketing for **Boo.com**, Boo were 'looking for a name that was easy to spell across all the different countries and easy to remember ... something that didn't have a particular meaning'.

Target market

The audience targeted by **Boo.com** can be characterised as 'young, well-off and fashion-conscious' 18-to-24-year-olds. The concept was that globally the target market would be interested in sports and fashion brands stocked by **Boo.com**.

The market for clothing in this area was viewed as very large, so the thought was that capture of only a small part of this market was required for **Boo.com** to be successful. The view at this time on the scale of this market and the basis for success is indicated by *New Media Age* (1999):

*The \$60b USD industry is dominated by Gen Xers who are online and according to market research in need of knowing what is in, what is not and a way to receive such goods quickly. If **boo.com** becomes known as the place to keep up with fashion and can supply the latest trends then there is no doubt that there is a market, a highly profitable one at that, for profits to grow from.*

The growth in market was also supported by retail analysts, with Verdict predicting online shopping in the United Kingdom to grow from £600 million in 1999 to £12.5 billion in 2005.

However, *New Media Age* (2005) does note some reservations about this market, saying:

*Clothes and trainers have a high rate of return in the mail order/home shopping world. Twenty-year-olds may be online and may have disposable income but they are not the main market associated with mail order. To date there is no one else doing anything similar to **boo.com**.*

The **Boo.com** proposition

In their proposal to investors, the company stated that ‘their business idea is to become the world-leading Internet-based retailer of prestigious brand leisure and sportswear names’. They listed brands such as Polo™, Ralph Lauren™, Tommy Hilfiger™, Nike™, Fila™, Lacoste™ and Adidas™. The proposition involved sports and fashion goods alongside each other. The thinking was that sports clothing has more standardised sizes with less need for a precise fit than designer clothing.

The owners of [Boo.com](#) wanted to develop an easy-to-use experience that re-created the offline shopping experience as far as possible. As part of the branding strategy, an idea was developed of a virtual salesperson, initially named Jenny and later Miss Boo. She would guide users through the site and give helpful tips. When selecting products, users could drag them on to models, zoom in and rotate them in 3D to visualise them from different angles. The technology to achieve this was built from scratch, along with the stock control and distribution software. A large investment was required in technology, with several suppliers being replaced before launch, which was six months later than promised to investors largely due to problems with implementing the technology.

Clothing the mannequin and populating the catalogue was also an expensive challenge. For the year 2000, about \$6 million was spent on content about spring/summer fashion wear. It cost \$200 to photograph each product, representing a monthly cost of more than \$500,000.

Although the user experience of [Boo.com](#) is often criticised for its speed, it does seem to have had that wow factor that influenced investors. Analyst Nik Margolis, writing in *New Media Age* (1999), illustrates this by saying:

What I saw at [Boo.com](#) is simply the most clever web experience I have seen in quite a while. The presentation of products and content are both imaginative and offer an experience. Sure everything loads up fast in an office but I was assured by those at [Boo.com](#) that they will keep to a limit of eight seconds for a page to download. Eight seconds is not great but the question is will it be worth waiting for?

Today, as the majority of European users are connected via mobile and fast broadband connections, these innovations could have become populate, but in the 1990s slow dial-up connections made it difficult if not impossible to to download the software to view products.

Communicating the [Boo.com](#) proposition

Early plans referred to extensive ‘high-impact’ marketing campaigns on TV and newspapers. Public relations were important in leveraging the novelty of the concept and human side of the business – Leander was previously a professional model and had formerly been Malmsten’s partner. This PR was initially focused within the fashion and sportswear trade and then rolled out to publications likely to be read by the target audience. The success of this PR initiative can be judged by the 350,000 email pre-registrations who wanted to be notified of launch. For the launch, Malmsten *et al.* (2001) explains that ‘with a marketing and PR spend of only \$22.4 million we had managed to create a worldwide brand’.

To help create the values of the [Boo.com](#) brand, *Boom*, a lavish online fashion magazine, was created, which required substantial staff for different language versions. The magazine wasn’t a catalogue that directly supported sales, rather it was a publishing venture competing with established fashion titles. For existing customers the Look Book, a 44-page print catalogue, was produced that showcased different products each month.

The challenges of building a global brand in months

The challenges of creating a global brand in months are illustrated well by Malmsten *et al.* (2001). After an initial round of funding, including investment from JP Morgan, LMVH Investment and the Benetton family, which generated around \$9 million, the founders planned towards launch by identifying thousands of individual tasks, many of which needed to be completed by staff yet to be recruited. These tasks were divided into 27 areas of responsibility familiar to many organisations, including office infrastructure, logistics, product information, pricing, front-end applications, call centres, packaging, suppliers, designing logos, advertising/PR, legal issues and recruitment. At its zenith, **Boo.com** had 350 staff, with over 100 in London and new offices in Munich, New York, Paris and Stockholm. Initially, **Boo.com** was available in UK English, US English, German, Swedish, Danish and Finnish, with localised versions for France, Spain and Italy added after launch. The website was tailored for individual countries using the local language and currency and also local prices. Orders were fulfilled and shipped out of one of two warehouses: one in Louisville, Kentucky and the other in Cologne, Germany. This side of the business was relatively successful, with on-time delivery rates approaching 100 per cent achieved.

Boo possessed classic channel conflicts. Initially, it was difficult getting fashion and sports brands to offer their products through **Boo.com**. Manufacturers already had a well-established distribution network through large high-street sports and fashion retailers and many smaller retailers. If clothing brands permitted **Boo.com** to sell their clothes online at discounted prices, then this would conflict with retailers' interests and would also portray the brands in a negative light if their goods were in an online 'bargain bucket'. A further pricing issue is where local or zone pricing in different markets exists – for example, lower prices often exist in the US than Europe and there are variations in different European countries.

Making the business case to investors

Today it seems incredible that investors were confident enough to invest \$130 million in the company and, at the high point, the company was valued at \$390 million. Yet much of this investment was based on the vision of the founders to be a global brand and achieve 'first-mover advantage'. Although there were naturally revenue projections, these were not always based on an accurate detailed analysis of market potential. Immediately before launch, Malmsten *et al.* (2001) explains a meeting with would-be investor Pequot Capital, represented by Larry Lenihan who had made successful investments in AOL and Yahoo! The **Boo.com** management team were able to provide revenue forecasts, but unable to answer fundamental questions for modelling the potential of the business, such as '*How many visitors are you aiming for? What kind of conversion rate are you aiming for? How much does each customer have to spend? What's your customer acquisition cost? And what's your payback time on customer acquisition cost?*' When these figures were obtained, the analyst found them to be 'far-fetched' and reputedly ended the meeting with the words: 'I'm not interested. Sorry for my bluntness, but I think you're going to be out of business by Christmas.'

When the site launched on 3 November 1999, around 50,000 unique visitors were achieved on the first day, but only 4 in 1,000 placed orders (a 0.25 per cent conversion rate). This shows the importance of modelling conversion rates accurately. This low conversion rate was also symptomatic of problems with technology. It also gave rise to negative PR. One reviewer explained how he waited: 'Eighty-one minutes to pay too much money for a pair of shoes that I still have to wait a week to get?' These rates did improve as problems were ironed out – by the end of the week 228,848 visits had resulted in 609 orders with a value of \$64,000. In the six weeks from launch, sales of \$353,000 were made and conversion rates had more than doubled to 0.98 per cent before Christmas. However, a relaunch was required within six months to cut download times and to introduce a 'low-bandwidth version' for users using dial-up connections. This led to conversion rates of nearly 3 per cent on sales promotion.

Sales results were disappointing in some regions, with US sales accounting for 20 per cent compared to the planned 40 per cent.

The management team felt that further substantial investment was required to grow the business from a presence in 18 countries and 22 brands in November to 31 countries and 40 brands the following spring. Turnover was forecast to rise from \$100 million in 2000/01 to \$1,350 million by 2003/04 which would be driven by \$102.3 million in marketing in 2003/04. Profit was forecast to be \$51.9 million by 2003/4.

The end of **Boo.com**

The end of **Boo.com** came on 18 May 2000, when investor funds could not be raised to meet the spiralling marketing, technology and wage bills.

Source: Prepared by Dave Chaffey from original sources including Malmsten et al. (2001) and *New Media Age* (1999).

Questions

1. Discuss which strategic marketing assumptions and decisions led to **Boo.com**'s inevitable failure?
2. Compare and contrast the marketing strategy of **Boo.com** with successful online travel and leisure retailer **lastminute.com** (also founded in 1998) and suggest what made the difference between success and failure.
3. Use the framework of the marketing mix to appraise the marketing tactics of **Boo.com** in the areas of Product, Pricing, Place, Promotion, Process, People and Physical evidence.
4. In many ways, the vision of Boo's founders were 'ideas before their time'. Give examples of e-retail techniques adopted by Boo to create an engaging online customer experience that are now commonplace.

Summary

1. This chapter has explored the micro-environment and how the digital marketing environment is constantly evolving and therefore should be monitored by all organisations in order to be able to respond to changes in the micro-environment or the immediate marketplace. The micro-environment is within the reach of an organisation and therefore digital marketers should be aware of the management implications that arise from this arena. To be successful it is important to understand consumer and competitor behaviour and which suppliers and intermediaries offer services that will enable a company to achieve its digital marketing goals.

2. We have explored each of the groups of players in the micro-environment. From a consumer perspective we have identified variables that are likely to be the most effective foundation for developing targeting strategies.
3. Competitors are an important group of players in the micro-environment and the Internet has created major changes to the competitive environment.
4. We have examined techniques for competitive benchmarking and how to analyse competitor behaviour, which has highlighted how it is important to understand the potential strengths and weakness of the companies a company might compete with online.
5. Suppliers and intermediaries also have an important role to play in digital marketing. We have explored the services provided by these players and considered the opportunities provided.
6. Finally, we considered the impact of digital channels on marketing activities.

Exercises

Self-assessment exercises

1. Explain the components of the digital market environment.
2. Suggest reasons why environmental scanning is necessary.
3. Summarise how each of the micro-environment factors may directly drive the content and services provided by a website.
4. Explain how would you analyse demand for digital marketing services.
5. What is the difference between demographic variables and behavioural variables?
6. What are the main aspects of customer adoption of the Internet that managers should be aware of?
7. What are the main changes to channel structures that are facilitated through the Internet?
8. How should a marketing manager benchmark the online performance of competitors?

Essay and discussion questions

1. Discuss the importance of the marketing environment to a) digital marketing success, and b) digital marketing failure.
2. Internet access varies from country to country, suggest reasons why.

3. Discuss how a digital marketing entrepreneur might identify market opportunities.
4. Evaluate the usefulness of research tools for assessing digital markets. Suggest the limitations of two search tools of your choice.
5. Perform competitor benchmarking for online services for an organisation of your choice.

Examination questions

1. Identify and discuss potential changes to supply-chain relationships in the digital age.
2. Trading online involves developing multichannel strategies. Give three examples of potential channel conflicts that might arise from using the Internet. Illustrate your answer with examples.
3. Choose a business activity sector and then suggest how important it is for businesses in this sector to trade online.
4. Porter's five forces model is well-established as a framework for analysis of the structure of competition in offline markets. Discuss the extent to which this model is valid for assessing online competition.
5. Imagine you are responsible for managing customer experiences (for a company of your choice). Discuss how you would integrate real-world and digital touchpoints.
6. Imagine you are about to set up a business online. Set out a plan for investigating the micro-environment as part of your situation analysis.
7. You are a digital marketing consultant. Suggest how you would advise a business that wants to improve its exposure online.

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Weblinks

A directory of Internet marketing links, including sources for statistics from the Internet environment, is maintained by Dave Chaffey at <http://www.smartinsights.com>.

Sources for Internet adoption statistics

Online research aggregators and publishers

- **Econsultancy** (www.econsultancy.com). Research reports on business and consumer adoption of digital marketing.
- **eMarketer** (www.emarketer.com). Includes reports on media spend based on compilations of other analysts. Fee-based service with some free data available.

Government sources on Internet use and adoption

- **European government: Digital Economy and Society** (http://ec.europa.eu/eurostat/statistics-explained/index.php/Digital_economy_and_society).
- **OECD** (www.oecd.org). OECD broadband research (<http://www.oecd.org/sti/broadband/broadband-statistics/>).
- **UK government** (www.ons.gov.uk and <https://visual.ons.gov.uk/>). Statistics of individual and household use of the Internet as part of the buying process.
- **Ofcom** (www.ofcom.org.uk). Ofcom is the independent regulator and competition authority for the UK communications industries, with responsibilities across television, radio, telecommunications and wireless communications services. It produces annual in-depth reports on communications markets.

Online audience panel media consumption and use data

These are fee-based data, but contain useful free data within press release sections:

- **Comscore** digital audience analytics (www.comscore.com). Panel data of desktop and smartphone use in different countries.
- **Nielsen** digital audience insights (www.nielsen.com). Source of secondary research into the influence of digital media on consumers.

Other major online research providers

- **The European Interactive Digital Advertising Alliance** (<http://www.edaa.eu/>). A powerful pan-European trade organisation with

surveys of media consumption.

- **Interactive Media in Retail Group (IMRG)** (<https://www.imrg.org>) E-retail and delivery channel insights.

Chapter 3

The digital macro-environment

Chapter at a glance

Main topics

- The rate of environment change
- Technological forces
- Economic forces
- Political forces
- Legal forces
- Social forces

Case study

Case study 3: Social media – do celebrities call all the shots?

Learning objectives

After reading this chapter, you should be able to:

- Identify how the macro-environment affects an organisation's digital marketing strategy, planning, implementation and performance
- Consider the legal, moral and ethical constraints of digital marketing
- Identify aspects of each of the macro-environmental forces that are particularly relevant to digital marketing
- Understand the significance of social media in the macro-environment.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- How important are macro-environmental changes to my digital marketing strategy?

- How can I ensure my online marketing activities are consistent with evolving culture and ethical standards of online communities?
- How important is it for me to understand technological innovations?
- Which laws am I subject to when marketing online?
- How is social media marketing likely to impact on my business and what changes do I need to make in order to react to social changes in the online marketplace?
- What are the political influences that could influence my digital marketing planning?
- How do I keep up in a constantly changing marketing environment?

Links to other chapters

This chapter provides a foundation for later chapters on digital marketing strategy and implementation:

- [Chapter 4](#) looks at the development of a digital marketing strategy.
- [Chapter 5](#) considers the Internet and the marketing mix.
- [Chapter 6](#) explores relationship marketing using the Internet.
- [Chapter 7](#) looks at how to deliver the online customer experience.
- [Chapter 8](#) describes campaign planning for digital media.

Introduction

In [Chapter 2](#) we reviewed the influence of players who shape the immediate trading environment. In this chapter, we review how macro-economic forces can influence digital marketing. These are forces that affect the trading environment but over which companies operating have limited direct influence.

We explore the macro-environment forces, focusing on the potential relevance of each to digital marketing strategy. In the marketing literature, there are widely used mnemonics that aim to act as an *aide-memoire* for the macro-environmental forces (e.g. PEST, SLEPT and PESTLE), where each letter represents a slightly different arrangement of the following macro forces:

- Political forces;
- Economic forces;
- Social forces;

- Technological forces;
- Legal forces;
- Environmental forces.

For the professional digital marketer, the most important task is to carry out a thorough assessment of the forces that are shaping the online marketing environment and identify which forces have implications for their own marketing planning and strategic initiatives. The chapter proceeds by exploring each of the macro-environmental forces in the following order:

- **Technological forces.** Changes in technology that influence marketing opportunities, create new product development opportunities, introduce new ways to access target markets through channel integration and create new forms of access platforms and applications.
- **Economic forces.** Cause variation in economic conditions and affect trading opportunities, influence consumer spending and business performance and have significant implications for digital marketing planning.
- **Political forces.** National governments and transnational organisations have an important role in determining the future adoption and control of the Internet and the rules by which it is governed.
- **Legal forces.** Determine the methods by which products can be promoted and sold online. Laws and ethical guidelines that seek to safeguard individuals' rights to privacy and businesses' rights to free trade.
- **Social forces.** Cultural diversity among digital communities, that influences use of the Internet and the services businesses provide online.

The main reason for keeping track of changes in the macro-environment is to be aware of how changes in social behaviour, new laws and technological innovation can create opportunities or threats. Organisations that monitor and respond effectively to their macro-environment can create differentiation and competitive advantages that enable the business to survive and prosper.

Essential digital skills: The Internet macro-environment

The most important professional skill for reviewing the macro-environment is the ability to keep up-to-date with developments in marketing – in particular, knowing about the latest

legal requirements for marketing communications in different countries.

We recommend you develop these skills:

- Understanding the types of laws that affect digital marketing.
- Knowing specific requirements of disclosure for key activities, including privacy for data capture, personal identification, ad serving and laws related to using influencers for social media.

Practical ideas to boost employability by showcasing your interest and experience:

- Register with the trade associations in your country that keep marketers up-to-date with relevant laws, e.g. Direct Marketing Association in the US and UK and FEDMA in Europe.
- Find out the government portals that provide guidance on privacy laws in marketing, e.g. The Information Commissioner's Office (ico.gov.uk) in the UK.
- Use services such as Builtwith.comTM, SimilarTechTM and the Chrome extensions WapalyzerTM and GhosteryTM to understand the different types of marketing technology or cloud services (also covered in [Chapter 10](#)) integrated into websites.

To score and audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

The rate of environment change

In the digital world, changes in social culture and particularly pop culture (what's 'hot' and what's not) tend to be very rapid. Introduction of new technologies and changes in their popularity tend to occur frequently and with increasing speed from concept to commercialisation. Government and legal changes tend to happen over longer time scales. Therefore, digital marketers need to be alert to the forces that are important in the context of their own trading environment, so they can aim to ensure the competitiveness of the business. They should develop the capacity to respond to environmental changes and the emerging opportunities and threats by developing **strategic agility**, a concept associated with knowledge management theory, which *requires inventing new business models and new categories rather than rearranging old products and categories* (Weber and Tarba, 2014), based on developing a sound process for reviewing marketplace opportunities and threats and then selecting the appropriate strategy options.

Strategic agility

The capability to innovate and so gain competitive advantage within a marketplace by monitoring changes within an organisation's marketplace, and then efficiently evaluating

alternative strategies, selecting, reviewing and implementing appropriate candidate strategies.

Strategic agility involves:

1. collection, dissemination and evaluation of different information sources from the micro- and macro-environment;
2. developing processes for generating and reviewing the relevance of new strategies based on creating new value for customers;
3. research into potential customer value against the business value generated;
4. implementation of prototypes of new functionality to deliver customer value;
5. measurement and review of results from prototypes to revise further to improve proposition or to end a trial.

Technological forces

Marketers need to understand digital and Internet technology and terminology, as making mistakes can have significant consequences. In this section, we explore digital technology, the Internet, web and mobile technology and consider digital security and emerging technology. These are key factors, which currently have significant implications for digital marketing planning.

A short introduction to Internet technology

The **Internet** has existed since the late 1960s, when a limited number of computers were connected for military and research purposes in the United States to form the ARPAnet. The recent dramatic growth in the use of the Internet occurred because of the development of the **World Wide Web**. This became a commercial proposition in 1993 after development of the original concept by Tim Berners-Lee, a British scientist working at CERN in Switzerland in 1989. Today, the main principles of web technology that a marketer needs to understand hold true. Web content is stored on **web server** computers and then accessed by users who run desktop or mobile **web browser** software such as Google Chrome™, Microsoft Edge™, Apple Safari™ or Mozilla Firefox™, which display the information and allow users to interact and select links to access other websites. Rich media, such as audio or video

content, can also be stored on a web server, or a specialist **streaming media server**TM.

Promoting website addresses is important to marketing communications. The technical name for web addresses is **uniform (universal) resource locator (URL)**TM.

Internet

The physical network that links computers across the globe. It consists of the infrastructure of network servers and communication links between them that are used to hold and transport the vast amount of information.

World Wide Web

The World Wide Web is a medium for publishing information and providing services on the Internet. It is accessed through *web browsers*, which display site *content* on different *web pages*. The content making up *websites* is stored on web servers.

Web server

Used to store the web pages accessed by web browsers. They may also contain databases of customer or product information, which can be queried and retrieved using a browser.

Web browser

Browsers such as Google ChromeTM, Mozilla FirefoxTM, Apple Safari[®] and Microsoft Internet ExplorerTM provide an easy method of accessing and viewing information stored as HTML web documents on different web servers.

Streaming media server

A specialist server used to broadcast audio (e.g. podcasts) or video (e.g. IPTV or webcast presentations). Served streams can be unicast (a separate copy of stream is served for each recipient), multicast (recipients share streams) or peer-to-peer.

Uniform (universal) resource locator (URL)

A web address used to locate a web page on a web server.

Web addresses are structured in a standard way as follows:

<http://www.domain-name.extension/filename.html>

The ‘domain-name’ refers to the name of the web server and is usually selected to be the same as the name of the company, and the extension will indicate its type. The ‘extension’ is also commonly known as the generic top-level domain (gTLD).

Common gTLDs are:

- **.com** represents an international or American company (e.g. www.travelocity.com);
- **.org** are not-for-profit organisations (e.g. www.greenpeace.org);
- **.mobi** was introduced in 2006 for sites configured for mobile phones;
- **.net** is a network provider (e.g. www.amakai.net).

There are also country code top-level domains (ccTLDs) maintained by ICANN e.g.:

- **.co.uk** represents a company based in the UK (e.g. www.thomascook.co.uk);
- **.au, .ca, .de, .es, .fi, .fr, .it, .nl**, etc. represent other countries (the **co.uk** syntax is an anomaly!);
- **.ac.uk** is a UK-based university or other higher education institution (e.g. www.cranfield.ac.uk);
- **.org.uk** is for an organisation focusing on a single country (e.g. www.mencap.org.uk).

In 2011, Internet Corporation for Assigned Names and Numbers (ICANN), the not-for-profit organisation dedicated to registering, maintaining and coordinating the Internet addressing system, began a programme of expansion for gTLD names. Their aim is to give Internet users more choice and create business opportunities. Use of gTLDs, country-level domain names (ccTLDs) such as **.au, .ca, .cn, co.uk, co.nz, .de, .fr** and the universal **.com** for US and pureplay companies remain dominant since marketers perceive that consumers like the familiarity and trust of companies using these domains. However, by 2016 ICANN had released more than a 1,000 new gTLDs, creating opportunities for brands to take more control over their corporate image online and increase innovation, choice and security.

Domain names are part of a company’s brand property and digital brand managers should protect brand abuse of domains by other companies who

might register variants of competitors' brand domain names. However, domain names do not only represent threats to business and organisations (see [Digital marketing insight 3.1](#)).

URL strategy

Today marketers often need to discuss different options for describing addresses for their content for campaigns. For example, is a country or blog referenced on a sub-domain or a sub-folder? How are different types of content or products structured within a folder hierarchy? The defined methods used are known for businesses as **URL strategy**. Now complete [Activity 3.1: What's in a URL?](#) Describe some of the terminology you may encounter when finding a domain name.

URL strategy

A defined approach to forming URLs including the use of capitalisation, hyphenation and subdomains for different brands and different locations. This has implications for promoting a website offline through promotional URLs, search engine optimisation and findability.

A clean URL that fits many of these aims is <http://www.domain.com/folder-name/document-name>. Care must be taken with capitalisation since Linux servers parse capitals differently from lower-case letters.

Activity 3.1: What's in a URL?

Examples of URLs:

<http://www.hrsalons.co.uk/>

<https://www.nissan.co.uk>

<https://www.nominet.uk/whois>

Here are some of the components of these urls:

- **http** is the protocol at the foundation of the Web; **https** is the secure version;
- the *domain name* is, for example, [hrsalons.co.uk](http://www.hrsalons.co.uk/); or [Nissan.co.uk](https://www.nissan.co.uk);
- the *top-level domain or TLD* is **uk** (also known as **gTLD**). The **uk** domain is also referred to as a country-code top-level domain or **ccTLD**; the subdomain is **whois** in the URL [nominet.uk/whois](https://www.nominet.uk/whois);
- **URLS** provide information that enables us to have an understanding of how deeply we are navigating into a website(s).

Nominet UK™ is the organisation that manages the TDL and is the **.uk** domain registry. Visit <https://www.nominet.uk/about> and find out how this organisation manages and

protects the UK domain.

Then use the WHOIS directory at <https://www.nominet.uk/whois/> to look up the following domain names to find out who owns each domain, when it was registered, who was the registrar, the status of the domain and more:

1. [tomatosoup.co.uk](https://www.tomatosoup.co.uk)
2. [netaporter.co.uk](https://www.netaporter.co.uk)
3. [yeovalley.co.uk](https://www.yeovalley.co.uk)

How does the Internet work?

In this section, we briefly examine some of the fundamental aspects of Internet technology. Marketers should understand the technological underpinning of digital marketing. This enables them to discuss technology options with systems vendors and technical staff and take the right decisions about which technologies to adopt. Many digital marketers are active bloggers or engaged in social networks, since this enables them to gain first-hand experience of the latest developments.

The Internet is a large-scale **client–server** system where content is transmitted from client PCs whose users request services from server computers that hold content, rich media and host business applications that deliver the services in response to requests. Client PCs within homes and businesses are connected to the Internet via local **Internet service providers (ISPs)**, which, in turn, are linked to larger ISPs with connection to the major national and international infrastructure or **backbones**.

Client–server

The client–server architecture consists of client computers such as PCs sharing resources such as a database stored on a more powerful server computer.

Internet service provider (ISP)

A provider enabling home or business users a connection to access the Internet. They can also host web-based applications.

Backbones

High-speed communications links used to enable Internet communications across a country and internationally.

Infrastructure components of the Internet

Figure 3.1 shows the basic process by which web browsers communicate with web servers. A request from the client device (computer, tablet, mobile) is executed when the user types in a web address, clicks on a hyperlink or fills in an online form such as a search. This request is then sent to the ISP and routed across the Internet to the destination server. The server then returns the requested web page if it is a **static (fixed) web page**. If it requires reference to a database, such as a request for product information, it will pass the query on to a database server and will then return this to the customer as a **dynamic web page**. Information on all file requests such as images, rich media and pages is stored in a **transaction log file** and via a **web analytics** system, such as Google Analytics (www.google.com/analytics) or Adobe Analytics, which records the page requested and the time and source of the enquiry, as explained in **Chapter 9**. Today, the majority of analysis by marketers is based on web analytics systems, not log files.

Static (fixed) web page

A page on the web server that is invariant.

Dynamic web page

A page that is created in real time, often with reference to a database query, in response to a user request.

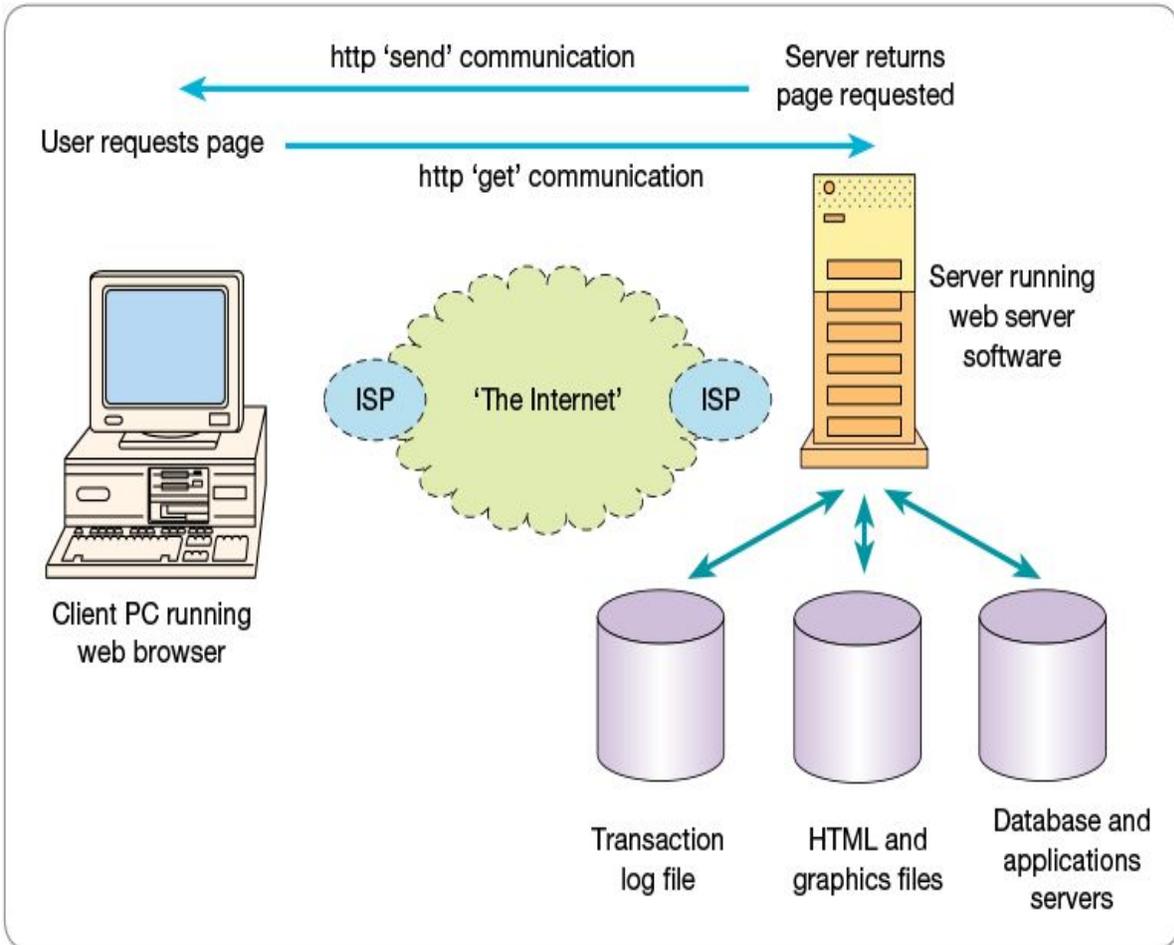
Transaction log file

A web server file that records all page requests.

Web analytics

Techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data customer satisfaction surveys, leads and sales.

Figure 3.1 Information exchange between a web browser and a web server



Web standards

The information, graphics and interactive elements that make up the web pages of a site are collectively referred to as **content**. Different standards exist for text, graphics and multi-media. In previous editions we have explained these, but GIFs and MP4s no longer need an introduction. Instead we introduce concepts such as Javascript and APIs, which are important for practising marketers.

Content

Content is the design, text and graphical information that forms a web page. Good content is the key to attracting customers to a website and retaining their interest or achieving repeat visits.

Digital marketing insight 3.1: W3C

The World Wide Web Consortium (W3C, www.w3.org) is an international community that enables the web to expand and develop by building an Open Web Platform to support and foster innovations and future sustainability for the web. Founded by Tim Berners-Lee, the inventor of HTTP protocol, which underpins web technology, W3C is an organisation that works to maintain international standards for the web. W3C provides a forum for discussion on the development and growth of the web, facilitates software development and acts as an educational platform. W3C aims to ensure that protocols and standards are maintained between its members and organisations across the globe. For example, in 2018, W3C published a 'Roadmap of Web Applications on Mobile', which provides a summary of how various existing web technologies apply to mobile. Visit <https://www.w3.org/2018/01/web-roadmaps/mobile/> for further detailed information.

It is important for managers of company websites to be familiar with the latest standards so they can assess and plan compliance with standards in the future.

Source: <https://www.w3.org/>; <https://www.w3.org/2018/01/web-roadmaps/mobile/> (accessed May 2018)

Text information – HTML (Hypertext Markup Language)

Web page content is formatted and rendered by the browser software using **HTML** (or XHTML), **Hypertext Markup Language**. HTML is an international standard established by the W3C intended to ensure that any web page written according to the definitions in the standard will appear the same in any web browser.

HTML (Hypertext Markup Language)

A standard format used to define the text and layout of web pages. HTML files usually have the extension .HTML or .HTM.

Cascading style sheets (CSS) are now used by most websites to enable standard styling and interaction features across a site. Visit CSS Zen Garden (www.csszengarden.com) or view [Figure 7.13](#) to see examples of how CSS effectively decouples style from content.

Cascading style sheets (CSS)

These enable web designers to define standard styles (e.g. fonts, spacing and colours) to hypertext markup language documents. By separating the presentation style of documents

from the content of documents, CSS simplifies web authoring and site maintenance since style can be defined across a whole site (or sections of sites).

Text information and data – XML (eXtensible Markup Language)

When the early version of HTML was designed by Tim Berners-Lee at CERN, he based it on the existing standard for representation of documents. While HTML proved powerful in providing a standard method of displaying information that was easy to learn, it was purely presentational. It lacked the ability to describe the data on web pages. A **metadata** language providing data about data contained within pages is much more powerful and is provided by **XML (eXtensible Markup Language)**, produced in February 1998. This is also based on SGML. The key word describing XML is ‘extensible’. This means that new markup tags can be created that facilitate the searching and exchange of information. For example, product information on a web page could use the XML tags <NAME>, <DESCRIPTION>, <COLOUR> and <PRICE>. The tags can effectively act as a standard set of database field descriptions so that data can be exchanged through price comparison sites.

Metadata

Literally, data about data – a format describing the structure and content of data.

XML (eXtensible Markup Language)

A standard for transferring structured data, unlike HTML which is purely presentational.

We will see in [Chapter 9](#) that the basic metadata that each page of a website can use is important for search engine optimisation (SEO). SEO is increasingly used by digital marketers to ensure their websites get noticed by target audiences.

Javascript

Javascript is a technology that marketers should understand since it is so important to creating more interactive experiences than are possible with traditional HTML. It is also important since Javascript tags are used by most of the different marketing technology or **Cloud Computing/Marketing Cloud** services used to provide interaction and capture insight from web users, as

explained in [Chapter 10](#) (see the section ‘[Selecting a martech stack for a business](#)’).

Javascript

A form of programming language embedded into websites using the `<script>` tag used to manage interactions and integrated different marketing technology.

Cloud Computing

A term that is a metaphor for shared computing resources, which require minimal management input and can be accessed via the internet. Relies on sharing of computing resources.

Let’s take a look at an example where Javascript is used on most websites. Google Analytics recommends pasting the following snippet right after the `<head>` HTML tag on each page of a site, replacing `GA_TRACKING_ID` with your own Google Analytics tracking ID:

```
<!-- Global Site Tag (gtag.js) - Google Analytics -->
<script async
src="https://www.googletagmanager.com/gtag/js?
id=GA_TRACKING_ID"></script>
<script>
  window.dataLayer = window.dataLayer || [ ];
  function gtag ( ) {dataLayer.push(arguments);}
  gtag ('js', new Date ( ) );
  gtag ('config', 'GA_TRACKING_ID');
</script>
```

This recommended implementation uses the Google Tag Manager (GTM) to manage the Google Analytics tag. GTM and other tag managers are used to manage the tens to hundreds of tags used on some sites. Another common example of Javascript tags used by sites to collect insight and manage ad services are the Facebook Pixel tags, which enable advertisers to serve ads to previous site visitors.

[Activity 10.1](#) gives an opportunity to explore the range of marketing technology installed on a website in more detail.

Application programming interfaces (APIs)

It's also useful for marketers to be familiar with the concept of APIs. Here are some examples from retail, publishing and software companies where APIs, sometimes known as the the 'Programmable Web', have been used to help gain competitive advantage:

- **Amazon Web Services** (<http://aws.amazon.com>). One example of AWS allows affiliates, developers and website publishers to use Amazon Product Discovery, which enables other sites to incorporate data about Amazon products and pricing.
- **Facebook and Twitter** use their APIs to help other sites embed social content into their sites.
- **The Guardian Newspaper Open Platform** (www.guardian.co.uk/open-platform) enables sharing of content and statistics from *The Guardian*. In one application, developed initially as a student project, WhatCouldICook.com uses recipes from The Guardian as part of an arrangement to share ad revenue.
- **Google APIs** exist for a number of its services, most notably Google Maps, which, according to this directory (<http://www.programmableweb.com/apis/directory>), is one of the most popular mashups created through an API. The Google Analytics API has enabled many businesses and third-party application developers to visualise web performance data in a more tailored way.
- **Kayak** is an aggregator that allows third-party sites to integrate kayak.com searches and results into their website, desktop application or mobile phone application.

Cyber security

Security is a key technology factor for marketers to consider as it is a major concern for Internet users everywhere. Digital marketers need to understand security issues and the risks they might encounter in order to manage their online operations effectively. From a consumer or merchant point of view, these are the main security risks involved in an e-commerce transaction:

- confidential details or passwords accessed on user's computer, for example through keylogging software or malware;
- transaction or credit card details stolen in transit, for example through 'packet sniffing' software;
- customer's credit card details stolen from merchant's server, for example through hacking;

- customer's details accessed by company staff (or through a hacker who is in the building and has used 'social engineering' techniques to find information);
- merchants or customers are not who they claim to be, and the innocent party can be drawn into a fraudulent trading situation.

As Internet-derived commerce and communications play an increasingly important role in economic growth, the burden of ensuring secure and safe passage through the Internet is increasing. According to Rueda-Sabater and Derosby (2011), there are five features of the Internet's evolution to consider that add to risks of what they call the *Axes of uncertainty*:

1. Growth in the global economy and in the markets around the Internet will occur primarily in countries that we now categorise as 'emerging'.
2. Governance of the Internet with its loose structure will be open to occasional Internet disruptions, including malicious ones.
3. Digital natives – people who have been raised on the Internet since late 1990 – will relate to the Internet in markedly different ways than do most of today's adults. Members of these web-savvy 'Net generations' will tend to view the Internet as an extender of their own cognitive capabilities and as a portal to a virtual experience.
4. Today's QWERTY keyboard and the language and interface hurdles it represents will no longer be the primary means of relating to the Internet. A combination of voice recognition, bio-sensing, gestural interfaces, touch-screen versatility and other technologies will allow us to input data and commands without keys.
5. Consumers will pay for the Internet connectivity in a much wider range of ways, both direct and indirect, compared to today's predominant flat-price subscriptions. As high bandwidth applications explode, the need to allocate available network capacity efficiently across time and users will be a major issue. The spread of wireless connectivity will also open up many new pricing models for network access, such as easily bundling connectivity and services.

The potential increase in security risks reinforces the need for everyone, not just digital marketers, to understand and be able to assess security risks. In this section we assess the measures that can be taken to reduce the risk of these breaches of e-commerce security. We start by reviewing some of the theory of online security and then review the techniques used.

For a summary of the main security risks for a website owner that must be managed within the design, see the summary in [Digital marketing insight 3.2](#) and complete [activity 3.2](#).

Digital marketing insight 3.2: The main website security risks

1 Validation of input and output data

All data used by the website (from users, other servers, other websites and internal systems) must be validated for type (e.g. numeric, date, string), length (e.g. 200 characters maximum, or a positive integer), syntax (e.g. product codes begin with two letters and are followed by five digits) and business rules (e.g. televisions can only cost between £100 and £2,000, an order can contain at most 20 items, daily credit limit must not be exceeded). If this level of control fails, opportunities can be created for a cyber attacker to trigger unauthorised execution or even gain access to sensitive data.

2 Sensitive data exposure

If data exist, they can potentially be viewed or extracted so it is important to ensure that sensitive data are stored using encryption to protect them from casual and unauthorised access e.g., data relating to payment cards should never be stored on a website.

3 Authentication and session management

Websites rely on identifying users to provide access permissions to data and functions. If authentication (verification of identity, registration and logging in), authorisation (granting access rights) and session management (keeping track of the identity of a logged-in user while browsing a website) can be circumvented or altered, then a user could access resources that are prohibited. Beware especially of how password reminders, remember-me, change password, log out and updating account details are handled, how session tokens are used and always have login forms on dedicated and encrypted (SSL) pages.

4 Phishing

Phishing, where users are misled into believing some other entity is or belongs to an own organisation (email messages and websites are the most common combination), is best tackled through user education, but the way the website is designed, its architecture and how it communicates with users can reduce the risk.

Phishing

(Pronounced 'fishing') is a specialised form of online identity theft. The most common form of 'phishing' is where a spam email is sent out purporting to be from an organisation such as a bank or payment service.

5 Denial of service

While malicious users might try to swamp the web server with a vast number of requests or actions that degrade its performance (filling up logs, uploading large files, undertaking tasks that require a lot of memory repeatedly), **denial of service attacks** include locking out valid user accounts or those caused by coding problems (e.g. memory leaks, resources not being released).

Denial of service attack

Also known as a distributed denial of service (DDOS) attack, these involve a hacker group taking control of many 'zombie' computers attached to the Internet whose security has been compromised. This 'botnet' is then used to make many requests to a target server, so overloading it and preventing access to other visitors.

Botnet

Independent computers, connected to the Internet, are used together, typically for malicious purposes through controlling software. For example, they may be used to send out spam or for a denial of service attack where they repeatedly access a server to degrade its software. Computers are often initially infected through a virus when effective antivirus measures are not in place.

6 System information leakage

Web servers, errors, staff, partner organisations, search engines can all be the source of important information about your website – its technologies, business logic and security methods. An attacker can use such information to their advantage so it is important to avoid system information leakage as far as possible.

7 Error handling

Exceptions such as user data validation messages, missing pages and server errors should be handled by the code so that a custom page is displayed that does not provide any system information to the user. Logging and alerting of unusual conditions should be enabled and these should allow subsequent audit.

Activity 3.2: Security breaches in the cloud

Purpose

To reflect on the significance of security risks to the digital trading environment.

Activity

Cyber attacks are becoming more prevalent and consumers are becoming more aware of the potential threats. Compounding the risks are companies that do not have their digital presence sufficiently well protected and the increase in the number of different devices that

are hooking up to the Internet via the cloud. This makes security an issue of concern for digital marketers.

PwC have assessed the risks of the growth of digital devices and how this is driving risk management. Visit <https://www.pwc.com> and read about how to address some of the most common pitfalls of cloud computing security. Make a list of the threats the security risk poses to the business in your examples, e.g. loss of trade, disruption to services, business closure.

Approaches to developing secure systems

Faced with the growing likelihood of security risks, there are various actions that might help reduce the risks.

Digital certificates

There are two main methods of encryption using **digital certificates** (or **keys**):

1. Secret-key or **symmetric encryption** involves both parties having an identical (shared) key known only to them. Only this key can be used to encrypt and decrypt messages. The secret key has to be passed from one party to the other before use. This method is not practical for general e-commerce since it would not be safe for a purchaser to give a secret key to a merchant because control of it would be lost and it could not then be used for other purposes. A merchant would also have to manage many customer keys.
2. Public-key or **asymmetric encryption**. Asymmetric encryption is so called since the keys used by the sender and receiver of information are different. The two keys are related by a numerical code, so only the *pair* of keys can be used in combination to encrypt and decrypt information. [Figure 3.2](#) shows how public-key encryption works in an e-commerce context. A customer can place an order with a merchant by automatically looking up the public key of the merchant and then using this key to encrypt the message containing their order. The scrambled message is then sent across the Internet and on receipt is read using the merchant's private key. In this way only the merchant who has the only copy of the private key can read the order. In the reverse case the merchant could confirm the customer's identity by reading identity information such as a digital signature encrypted with the private key of the customer using their public key.

Digital certificates (keys)

Consist of keys made up of large numbers that are used to uniquely identify individuals.

Symmetric encryption

Both parties to a transaction use the same key to encode and decode messages.

Asymmetric encryption

Both parties use a related but different key to encode and decode messages.

Digital signatures

Digital signatures can be used to create commercial systems by using public-key encryption to achieve authentication: the merchant and purchaser can prove they are genuine. The purchaser's digital signature is encrypted before sending a message using their private key, and on receipt the public key of the purchaser is used to decrypt the digital signature. This proves the customer is genuine.

Digital signature

A method of identifying individuals or companies using public-key encryption.

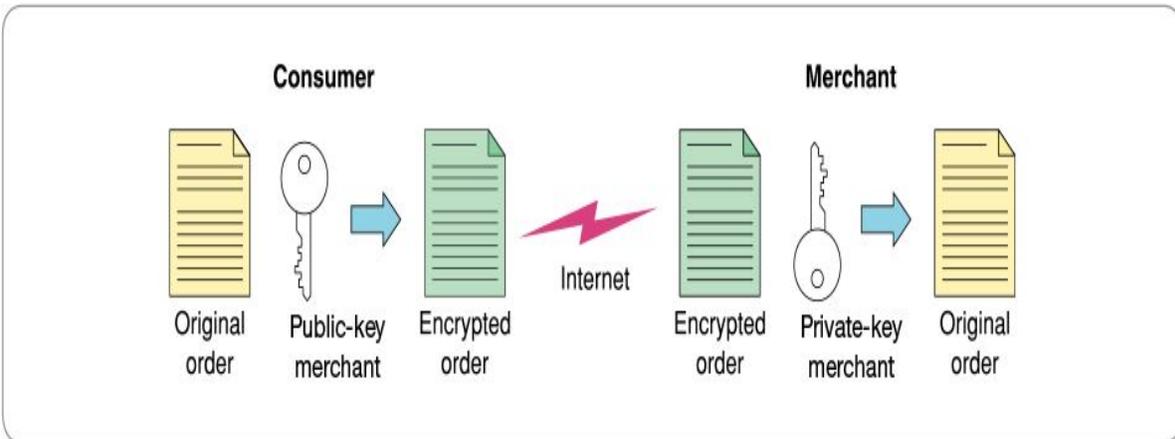
The public-key infrastructure (PKI) and certificate authorities

For digital signatures and public-key encryption to be effective it is necessary to ensure the public key intended for decryption of a document actually belongs to the genuine person whom you believe is sending you the document. A system of trusted third party (TTP) certificates are used as a means of containing owner identification information and a copy of the public key used to unlock the information. The TTPs are usually referred to as **certificate authorities (CAs)** – an example is VeriSign (verisign.com). The message is called a *certificate* and typically includes user and issuing authority identification data, user, public key, date and class of certificate.

Certificate authorities (CAs)

A certificate is a valid copy of a public key of an individual or organisation together with identification information. It is issued by trusted third party (TTP) certificate authority (CA). CAs make public keys available and also issue private keys.

Figure 3.2 Public-key or asymmetric encryption



Secure Sockets Layer protocol (SSL)

SSL is the most common security mechanism used on transactional websites in association with CAs like VeriSign who issue an SSL certificate that verifies the identity of the certificate owner. The SSL approach enables encryption of sensitive information during online transactions using PKI and digital certificates to ensure privacy and authentication. Here, when encryption is occurring they will see that the web address prefix in the browser changes from **http://** to **https://** and a padlock appears followed by the word Secure before the URL.

Ultimately, digital marketers should ensure a safe digital environment for their users. Once the security measures are in place, content on the merchant's site can be used to reassure the customer.

Mobile and SMS messaging and applications

The **Short Message Service (SMS)**, commonly known as 'texting', is, of course, a simple form of person-to-person communication that enables messages to be transferred between mobile phones. Its use grew for many years, but it is now on the decline as consumers turn to messaging via social networks and new mobile messaging applications such as WhatsApp™ and Viber™, which are billed as SMS replacements.

Short Message Service (SMS)

The formal name for text messaging.

Texting became increasingly popular as a means for brands to communicate with customers. High-street banks notify customers of current account balances when they approach an overdraft limit, retailers send delivery notifications and airlines send boarding and flight details using SMS. Text is also used by consumer brands to market their products and texting can also be used in supply chain management applications for notifying managers of problems or deliveries.

SMS applications

For the creative marketer who respects opt-in and privacy legislation, SMS has proved a great way to get closer to customers, particularly those in the youth market who are difficult to reach with other media. These are some of the applications:

1. **Database building/direct response to ads/direct mail or on-pack.** This is one of the most significant applications.
2. **Location-based services.** Text for the nearest pub, club, shop or taxi. In London you can now text for the nearest available taxi, and pay the congestion charge through texting, once accounts are set up via the web!
3. **Sampling/trial.** Used for encouraging consumers to trial new products through promotions.
4. **Sales promotions.** Timed e-coupons can be sent out to encourage footfall in real and virtual stores.
5. **Rewarding with offers for brand engagement.** Valuable content on mobiles can be offered via SMS – for example, free ringtones, wallpaper, Java games or credits can be offered to consumers via text.
6. **Short codes.** **Short codes** are easy-to-remember five-digit numbers combined with text that can be used by advertisers or broadcasters to encourage consumers to register their interest.
7. **Offering paid-for services and content.** Any service such as a ringtone can be invoked from a text message.

Short code

Five-digit number combined with text that can be used by advertisers or broadcasters to encourage consumers to register their interest. They are typically followed-up by an automated text message from the advertiser with the option to opt-in to further information by email or to link through to a WAP site.

Mobile apps

Mobile apps are a highly significant development in mobile communications, indeed all digital communications, since they highlight a change in the method of delivering interactive services and content via mobile phones. Research by Flurry (Flurry, 2018) shows that 90 per cent of mobile time is used in mobile apps. Perhaps not surprising since the majority of app time is in social media applications. Until the advent of apps, popularised by the Apple iPhone App Store® and then on Android phones via the Google Play™ store, the web browser had been seen as the main model by most for delivering content via mobile phones. Today there are rivals to native mobile apps such as Progressive Web Apps (PWAs) and Accelerated Mobile Pages (AMPs), which we explore in the chapter on digital experiences ([Chapter 7](#)).

Mobile apps

A software application that is designed for use on a mobile phone, typically downloaded from an App store such as Google Play or the Apple App Store.

Through reviewing the types of apps that have proved popular, businesses can assess the potential for them to develop applications for their audiences.

The key questions to ask are:

1. *Are apps a strategic priority for us?* The goal of apps for most organisations will be to increase awareness and sales, or publisher's revenue from advertising or subscriptions. Apps are only likely to be a priority for businesses who have the scale to gain incremental revenue because they have an app that improves loyalty compared to other channels. For many companies, it will be difficult to demonstrate the incremental revenue that they will achieve compared to other mobile interactions such as a mobile-responsive website. In these cases, apps won't be a priority because they will have to put budget into higher priority areas such as improving the experience on their desktop and mobile site, or in their media investments. Owing to volume of users reached through these other platforms, incremental improvements here are likely to give better returns.
2. *Do we build our own app and/or leverage existing apps?* Creating an app is only one of the marketing options – advertising and sponsorship options

may be a more cost-effective method to build reach and awareness of a brand.

3. *Free or paid apps?* Retailers will generally offer free apps offering choice and convenience in return for loyalty. Brands offering entertainment will likely also go the free route to increase customer engagement. But for publishers or software houses, a freemium approach of free app showcasing the service and paid app for improved features and content achieved through in-app purchase is the standard approach.
4. *Which category of application to target?* As you would expect, accessing social networks and music via apps is popular.
5. *How to best promote mobile apps?* The options for marketing apps were also researched by Nielsen (2010), who found that the most popular methods of app discovery are:
 - searching the app store;
 - recommendations from friends and family;
 - mention on device or network carrier page;
 - email promotion;
 - offline mention in TV and print.
6. *How to refine apps in line with feedback?* The success of apps is very dependent on feedback in the App stores and the need to fix bugs and add enhancements to compete shows the need for an ongoing development cycle with frequent updates. Careful review of hurdle rates for % user base who are using the app or its different function is going to be a KPI here.

See [Digital marketing insight 3.3](#) (JustPark) to find out how an innovative cashless payment app is changing the rules of paying for parking.

Social location-based marketing through mobile

In **social location-based marketing** there is a fusion of social and mobile marketing. Foursquare, TripAdvisor™ and Yelp™ are all options available to consumers, with Facebook and Google also offering options to share interactions and reviews about businesses. If businesses can encourage consumers to leave favourable reviews and recommendations, then this may encourage new customers through ‘social proof’ and can increase visibility in local listings such as search engine results.

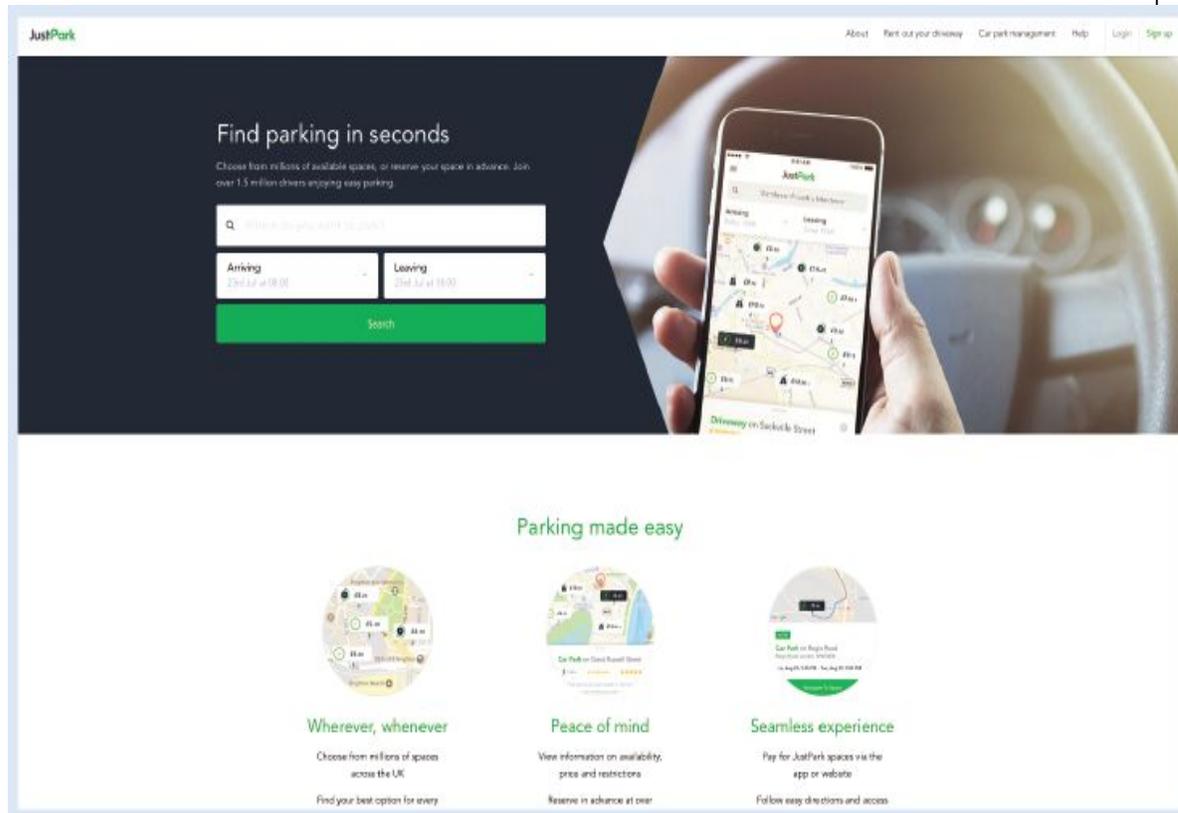
Social location-based marketing

Where social media tools give users the option of sharing their location, and hence give businesses the opportunity to use proximity or location-based marketing to deliver targeted

offers and messages to consumers and collect data about their preferences and behaviour.

Digital marketing insight 3.3: JustPark changes the rules of the parking game

Figure 3.3 JustPark



JustPark™ is an innovative tech company, which aims to deliver a positive parking experience through its app. Traditionally, parking is managed and governed by an ethos of control and punishment. Local authorities manage public car parks and on-street parking and use fines and enforcement officers as a method of controlling use of space and driver behaviour. Private carpark operators adopt a similar approach. This can make a visit to a town, city or shopping centre a stressful experience for a driver as they must search for a space, usually pay and then monitor the time they have left before they must return to their vehicles in order to reduce fines.

JustPark's app is a customer-focused solution, which reduces the stress of parking. It helps drivers to find the best available spaces in an area; enables cashless payment through the app, so no more searching for coins; and drivers do not need to worry about whether time is running out as the app will prompt the driver that it is time to return to their vehicle or offer to extend the parking period.

Making parking a less stressful experience is just one of JustPark's aims. They are currently developing systems, using artificial intelligence that can predict parking space availability in

real time and also developing collaborative solutions with local businesses, which helps build customer relationships.

QR Codes

Quick Response (QR) codes are barcodes published in newspapers or billboards that can be scanned by a mobile phone camera and then linked directly through to a website. QR codes can be used in promotional initiatives to allow target consumers to have quick access to a variety of information, such as instant access to email addresses, phone numbers or business cards.

Quick Response (QR) code

A two-dimensional matrix bar code. QR codes were invented in Japan where they are a popular type of two-dimensional code used for direct response.

Wi-Fi

Wi-Fi (wireless fidelity) is the shorthand often used to describe a high-speed wireless local area network. Wi-Fi can be deployed in an office or home environment where it removes the need for cabling and adds flexibility. However, it has attracted most attention for its potential for offering wireless access in airports, shopping centres, cities and towns without the need for a fixed connection. [Activity 3.3](#) considers the marketing potential of 5G.

Wi-Fi (wireless fidelity)

A high-speed wireless local-area network enabling wireless access to the Internet for mobile, office and home users.

Bluetooth wireless applications

Bluetooth technology has potential for different forms of local marketing campaigns known as **proximity marketing**: (1) viral communication; (2) community activities (dating or gaming events); (3) location-based services – electronic coupons as you pass a store.

Bluetooth technology

A wireless standard for transmission of data between devices over short ranges (less than 10m).

Proximity marketing

Marketing messages are delivered in real time according to customers' presence based on the technology they are carrying, wearing or have embedded. Bluecasting is the best known example.

Activity 3.3: 5G Assessing new technology options

Purpose

To illustrate the process for reviewing the relevance of new technology options.

Activity

You work for an FMCG (fast-moving consumer goods) brand and are attending an industry trade show where you see a presentation about the next-generation (5G) mobile phones, which are due to launch in your country in one year's time. You need to decide whether your organisation adopts the new phone and if so when. Complete the following:

1. How would you assess the significance of this new technology?
2. Summarise the proposition of the new access devices for both consumers and your organisation.
3. What recommendations would you make about when to adopt and which services to offer?

Emerging technologies

In addition to mobile and Wi-Fi access, Internet access technologies for television and radio are available digitally. Internet TV, or IPTV, is increasingly popular and as bandwidth, download speeds and access devices improve, the number and range of users is increasing. This technology creates challenges for the digital marketer as they need to access which technology their target audience is using to access which type of content, information and digital services.

Assessing the marketing value of technology innovation

One of the challenges for digital marketers is how to successfully assess which new technological innovations can be applied to give competitive advantage. For example, personalisation technology (discussed in detail in [Chapter 6](#)) is intended to enhance the customer's online experience and increase their loyalty. However, personalisation may require a large investment in proprietary software and hardware technology for effective implementation. How does the manager decide whether to proceed and which technological solutions to adopt? There is more to digital marketing than establishing and managing a website, and in [Chapter 4](#) strategy decisions are examined, while in [Chapter 8](#) how to make decisions to achieve the best media mix is considered.

A manager may have read articles in the trade and general press or spoken to colleagues, which has highlighted the potential of a new technology-enabled marketing technique. They then face a difficult decision as to whether to:

- ignore the use of the technique completely, perhaps because it is felt to be too expensive or untried, or because they simply don't believe the benefits will outweigh the costs;
- ignore the technique for now, but keep an eye on the results of other companies that are starting to use it;
- evaluate the technique in a structured manner and then make a decision whether to adopt it according to the evaluation;
- enthusiastically adopt the technique without a detailed evaluation since the hype alone convinces the manager that the technique should be adopted.

Depending on the attitude of the manager, this behaviour can be summarised as:

1. Cautious, a 'wait and see' approach.
2. Intermediate, sometimes referred to as 'fast-follower' approach. Let others take the majority of the risk, but if they are proving successful then rapidly adopt the technique, i.e. copy them.
3. Risk-taking, an early-adopter approach.

Different behaviours by different adopters will result in different numbers of adopters through time. This diffusion–adoption process (represented by the bell curve in [Figure 3.4](#)) was identified by Rogers (1983) who classified those trialing new products as being innovators, **early adopters**, early majority, late majority, through to the laggards.

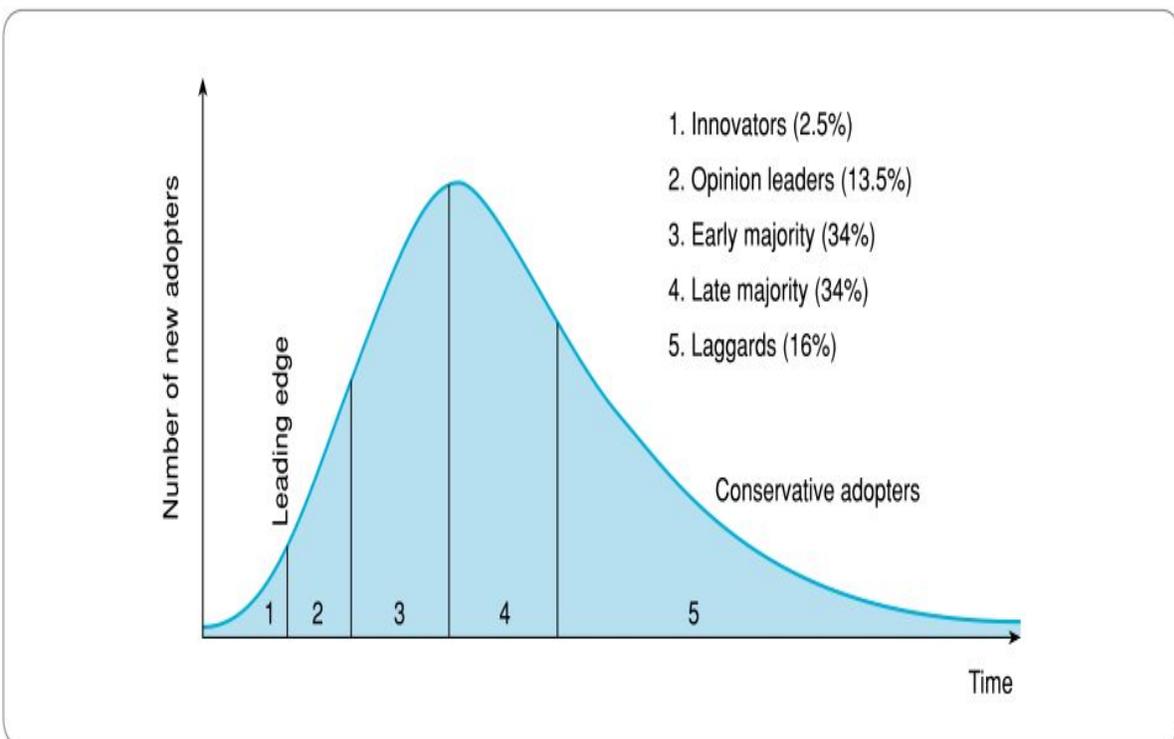
Early adopters

Companies or departments that invest in new technologies and techniques.

The diffusion–adoption curve can be used in two main ways as an analytical tool to help managers:

1. To understand the stage at which customers are in adoption of a technology, or any product. For example, the Internet is now a well-established tool and in many developed countries we are into the late majority phase of adoption, with large numbers of users of services. This suggests it is essential to use this medium for marketing purposes. But if we look at WAP technology (see below) it can be seen that we are in the innovator phase, so investment now may be wasted since it is not clear how many will adopt the product.
2. To look at adoption of a new technique by other businesses – from an organisational perspective. For example, an online supermarket could look at how many other e-tailers have adopted personalisation to evaluate whether it is worthwhile adopting the technique.

Figure 3.4 Diffusion–adoption curve



A commercial application of the diffusion of innovation curve was developed by technology analyst Gartner (2011) and has been applied to different technologies since 1995. They described a **hype cycle** as a graphic representation of the maturity, adoption and business application of specific technologies.

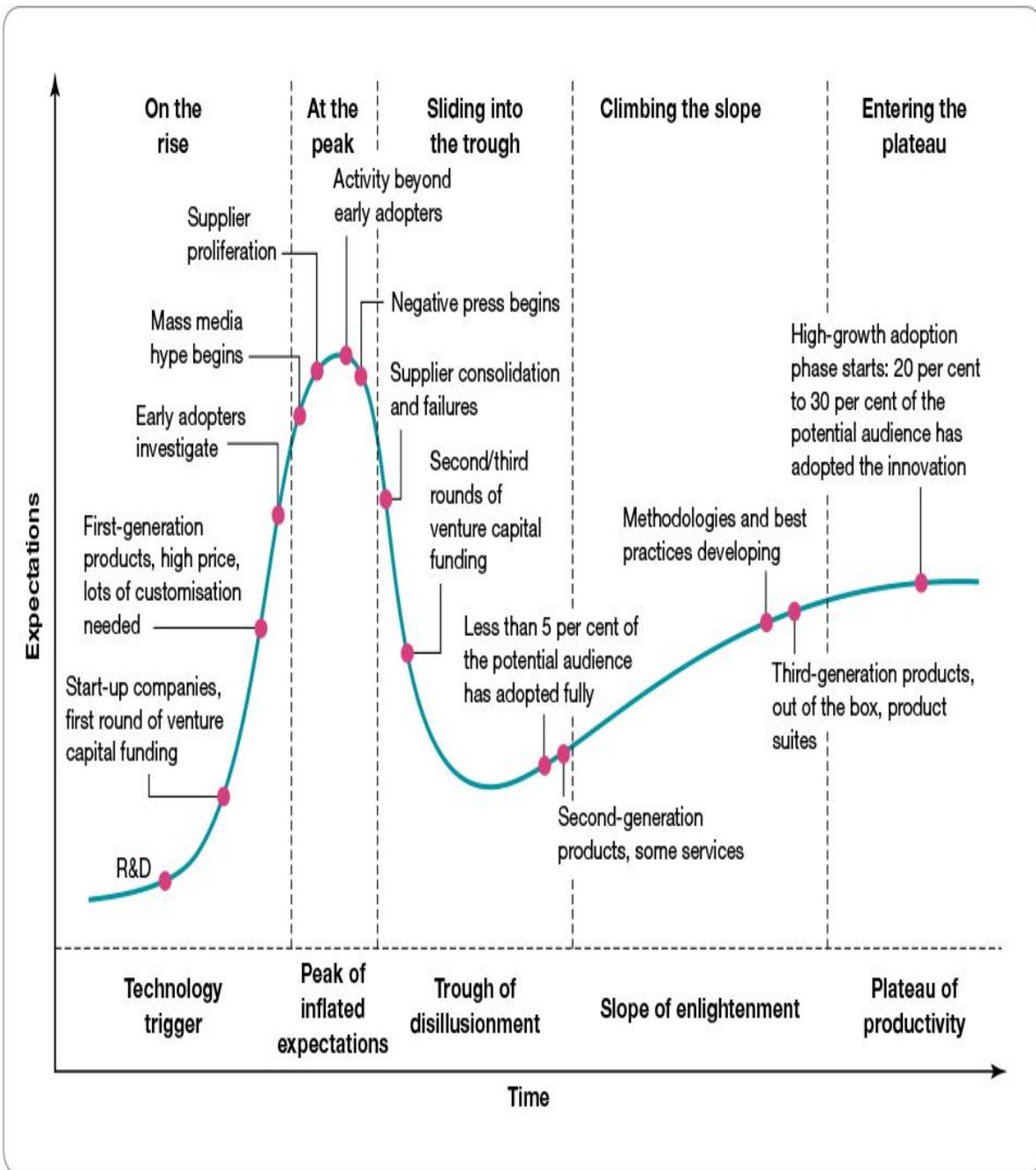
Hype cycle

A graphic representation of the maturity, adoption and business application of specific technologies.

Gartner (2011) recognised the following stages within the hype cycle (Figure 3.5):

1. **Technology trigger.** The first phase of a hype cycle is the ‘technology trigger’ or breakthrough, product launch or other event that generates significant press and interest.
2. **Peak of inflated expectations.** In the next phase, a frenzy of publicity typically generates over-enthusiasm and unrealistic expectations. There may be some successful applications of a technology, but there are typically more failures.
3. **Trough of disillusionment.** Technologies enter the ‘trough of disillusionment’ because they fail to meet expectations and quickly become unfashionable. Consequently, the press usually abandons the topic and the technology.
4. **Slope of enlightenment.** Although the press may have stopped covering the technology, some businesses continue through the ‘slope of enlightenment’ and experiment to understand the benefits and practical application of the technology.
5. **Plateau of productivity.** A technology reaches the ‘plateau of productivity’ as the benefits of it become widely demonstrated and accepted. The technology becomes increasingly stable and evolves in second and third generations. The final height of the plateau varies according to whether the technology is broadly applicable or benefits only a niche market.

Figure 3.5 Different stages of a Gartner hype cycle



Source: Gartner Group

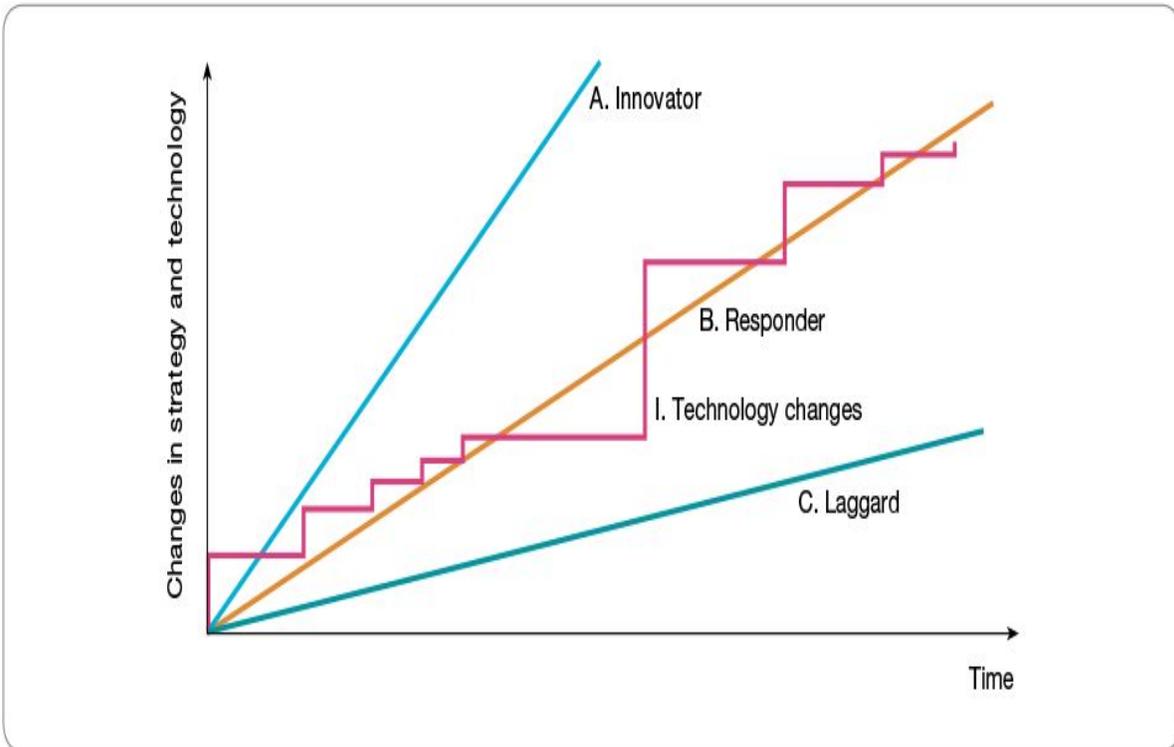
The problem with being an early adopter (as an organisation) is that being at the leading edge of using new technologies is often also referred to as the 'bleeding edge' due to the risk of failure. New technologies will have bugs or may integrate poorly with the existing systems, or the marketing benefits may simply not live up to their promise. Of course, the reason for risk taking is that the rewards are high – if you are using a technique that your competitors are not, then you will gain an edge on your rivals. For example, RS Components

(<https://uk.rs-online.com/web/>) was one of the first UK suppliers of industrial components to adopt personalisation as part of their e-commerce system. They have learned the strengths and weaknesses of the product and now know how to position it to appeal to customers. It offers facilities such as customised pages, access to previous order history and the facility to place repeat orders or modified re-buys. This has enabled them to build up a base of customers who are familiar with using the RS Components online services and are then less likely to swap to rival services in the future.

So, what action should marketing and e-commerce managers take when confronted by new techniques and technologies? There is no straightforward rule of thumb, other than that a balanced approach must be taken. It would be easy to dismiss many new techniques as fads, or classify them as ‘not relevant to my market’. However, competitors are likely to be reviewing new techniques and incorporating some, so a careful review of new techniques is required. This indicates that benchmarking of ‘best of breed’ sites within a sector and in different sectors is essential as part of environmental scanning. However, by waiting for others to innovate and review the results on their website, a company has probably already lost 6 to 12 months. [Figure 3.6](#) summarises the choices. The stepped curve shows the variations in technology through time. Some changes may be small incremental ones such as a new operating system; others, such as the introduction of personalisation technology, are more significant in delivering value to customers and so improving business performance. Line A is a company that is using innovative business techniques, adopts technology early, or is even in advance of what the technology can currently deliver. Line C shows the conservative adopter whose use of technology lags behind the available potential. Line B, the middle ground, is probably the ideal situation where a company monitors new ideas as early adopters, trials them and then adopts those that will positively impact the business.

Technological forces are significant and can influence digital marketing success significantly. In this section we have considered major factors that make up the forces likely to affect the digital marketer. In the next section, we examine economic forces.

Figure 3.6 Alternative responses to changes in technology



Economic forces

Globally, economic influences affect the level of success of business. Economic forces affect supply and demand and consequently it is important for digital markets to identify which economic influences they need to monitor. Classic economic factors (e.g., growth and unemployment, interest and exchange rates) can affect every aspect of business activity and are equally pertinent to off- and online businesses. International market growth and emerging economies, for example Central and Eastern European markets, Indian and Asian economies, also have the potential to influence digital marketing activities. In this section we explore the implications of economic forces for digital market growth and employment, interest and exchange rates and globalisation.

Market growth and employment

The economic environment can have a critical impact on the success of companies through its effect on supply and demand. Companies must choose those economic influences that are relevant to their business and monitor changes.

The impact of changes in demand can have far-reaching implications for digital marketing initiatives as this will affect the strength of market growth.

Sophisticated technology enables companies to analyse purchasing patterns and forecast future demand. But this is only part of the picture of consumption that drives modern global economies. It is also important to monitor changes to trends (which affect market growth) in order to be able to make realistic predictions about how consumers and companies are going to behave in the future.

Economic growth

Throughout history there have been periods of strong economic growth followed by economic downturn and recession. The dot.com period of boom and bust at the beginning of the 21st century highlighted the fragility of high-tech markets and many of the emerging Internet companies, which had high-value stock market valuations, crashed and no longer exist. However, from such disruption has emerged an online economy that is fuelling growth. When there is economic growth during periods of boom, companies should be prepared to experience increased demand for their products and services. During periods of slump, sales may decline as customers reevaluate their needs and spending requirements. For digital marketers the challenge (from an economic perspective) is predicting the next boom or slump as they need to consider investments, research and development and if they fail to correctly anticipate the changing state of the economy they may encounter difficulties or miss opportunities. According to Jobber and Ellis-Chadwick (2016), retailers are often the first to be affected and large businesses such as CarrefourTM, Amazon and WalmartTM must plan to manage their national and international operations in anticipation of rising and falling consumer demand. While retailers are the first to experience rises and falls in demand, these changes quickly affect suppliers and manufacturers in the supply chain. Consumers will also change their buying behaviour in response to economic changes. Discount food retailers AldiTM and LidlTM benefited during the 2008–13 recession as many shoppers moved from Sainsbury'sTM and WaitroseTM to shop with the discounters, who offer lower prices but 'no frills' when it comes to the service.

Interest and exchange rates

Interest rates are a key monetary tool used by governments in conjunction with banks and financial institutions to manage a country's economy. Interest rates represent the price that borrowers have to pay lenders for the use of their money over a specified period of time (Jobber and Ellis-Chadwick, 2016). Western

economies tend to lower interest rates during hard times in order to stimulate economic activity and encourage borrowing and lending, in the hope that they can avoid a downturn.

Exchange rates are the price of trading one currency against another. Fluctuations in exchange rates mean that the price a consumer in one country pays for a product and/or the money that a supplier in an overseas country receives for selling that product can change. For example, if the exchange rate between the pound sterling and the euro changes, the pound may weaken. International suppliers and manufacturers often change their prices for a particular currency zone in order to ensure they maintain their prices at the required level. Digital marketers should carefully consider their markets in relation to currency fluctuations. Amazon has developed country-specific operations and trade in the national currencies associated with each domain.

Globalisation

In recent years the world has become more accessible, global expansion and exports across the world are now possible and the Internet has been an influencing factor in the growth in trade.

In the digital world, **globalisation** reflects the move towards international trading in a single global marketplace and the blurring of social and cultural differences between countries. In [Chapter 2](#) we saw that there is wide variation in the level of use of the Internet in different continents and countries, particularly from the consumer perspective. Furthermore, according to Doherty *et al.* (2003), a major driver of Internet adoption by commercial organisations is the opportunity for market expansion in domestic and international markets. However, digital marketers need to be aware of the implications of trading in global markets and consider whether to develop bespoke branding and marketing campaigns or whether to apply a standardised approach, and should also not lose touch with the needs and wants of local markets. Now read [Digital marketing insight 3.4](#) about the E2E economy.

Globalisation

The increase of international trading and shared social and cultural values.

Economic disruption

The previous section has identified key economic factors and considered their potential impact for digital marketers and the online trading environment. There are close links between economic factors such as interest rates and inflation on political influences. In the next section we explore political forces in relation to digital trading environments.

Digital marketing insight 3.4: E2E economy

According to research (Gorrell, 2014), the next digital transformation has already begun. The main thrust of the change is away from being specifically customer-centric towards an everyone-to-everyone economy (E2E). At the heart of this fundamental shift in focus are technological and social changes: Cloud Computing is facilitating universal access to applications and services; mobile technology is changing the digital marketing landscape; advanced and intelligent analytics are providing highly specific and detailed insights on customer behaviour; digital ecosystems are creating trading environments where multiple buyers can engage with multiple and diverse suppliers and service providers; and there has been a social media explosion. And in this highly connected environment, new connections can occur through open digital communications channels.

Gorrell (2014) states that the E2E economy focuses on how to ‘heighten expectations for seamless, connected experiences’ and in order to function in this digital *new world* companies must work out how to deliver the best experiences, be able to respond to insatiable demand and work with open standards. Note that the focus on the customer is not lost, just reconfigured as companies should seek to delight their customers by reorganising and creating more free-flowing business structures, which can respond faster and more fluidly as markets change.

Political forces

Political forces can have implications for digital marketing strategy and planning. The political environment is shaped by the interplay of government agencies, public opinion and consumer pressure groups and industry-backed organisations such as TRUSTArc (<https://www.trustarc.com>). Interaction between these organisations helps to create a trading environment with established regulations and privacy controls. The political environment has many factors that influence the trading environment, such as taxation, investment and management of business and public affairs. Political forces are closely intertwined with economic forces – for example, the government sets financial goals for the Bank of England, which in turn sets interest rates to control inflation. The government’s influence over the economy has an impact on overall economic performance and also business investment.

It is important for digital marketers to be aware that political action enacted through government agencies to control the adoption of the Internet includes:

- promoting the benefits of adopting the Internet for consumers and business to improve a country's economic prosperity;
- sponsoring research leading to dissemination of best practice among companies;
- enacting legislation to regulate the environment, for example to protect privacy or control taxation;
- developing strategies that create opportunities for growth and development of the digital economy.

As an example of a recent initiative, the Department for Business, Energy & Industrial Strategy (BEIS) launched the UK's Industrial Strategy in November 2017, which proposes a vision that will transform the UK economy based on five foundations: ideas, people, infrastructure, business environment and places. Technical innovation and global trade in goods and services are key elements of the strategy and therefore of great significance to digital marketers as the Government will develop policy to support the achievement of its goals. For example, key policies focus on major investment in harnessing the value of innovation, new skills training, development of the digital infrastructure and business growth (HM Government, 2017).

In addition to the Industrial Strategy, the Department for Digital, Culture, Media and Sport (DCMS) has produced the UK Digital Strategy (DCMS, 2017). This strategy focuses on business skills and other activities that support the Industrial Strategy. In order to achieve the Government's aims to become a world-leading digital economy, the Digital Strategy is built on seven strands:

1. Connectivity
2. Skills and inclusion
3. The digital sector
4. The wider economy
5. Cyber space
6. Digital government
7. The data economy.

Again policy will focus on enabling this strategy to succeed and it is important for digital marketers to be aware of the Government's focus. Now complete [Activity 3.4: Making the UK a world-leading digital economy](#).

Political control and democracy

Government action that can have a significant impact on the online marketplace is control of intermediaries. This depends on the amount of regulation in a given country and in individual markets. Taking the UK as the example, regulation of different marketplaces occurs through these groups:

- **Financial Conduct Authority.** Aims to ensure that financial markets work effectively and fairly controls providers of banking products such as current accounts, savings and loans (<https://www.fca.org.uk/about>).
- **Ofcom.** Controls providers of mobile phone and broadband services (<https://www.ofcom.org.uk/>).
- **OfGEM.** Controls energy consumption (<https://www.ofgem.gov.uk/>).

Activity 3.4: Making the UK a world-leading digital economy

Purpose

To increase awareness of the political influence on the growth of a digital economy.

Activity

Review the DCMS plan for the UK economy and its seven strands, or an equivalent in your country. Your task is to discover what each strand means for companies and marketers involved in digital marketing. Visit: <https://www.gov.uk/government/publications/uk-digital-strategy>

Research each of the UK Digital Strategy documents to answer the following questions:

1. How does the plan intend to improve connectivity?
2. What are the barriers to improving digital capabilities?
3. How will increasing Research & Development help grow digital business?
4. What are the four core digital activities that all businesses have to strive to achieve to remain competitive?
5. What is the Government going to do to ensure high levels of cyber security?
6. What are the aims for GOV.UK Pay and what are the potential benefits and risks of e-wallets?
7. How is citymapper creating value through using big data?

In the financial services market, it is not necessary for a price comparison intermediary to show all providers. So, for example, one major insurance provider, Direct Line™, has decided not to be included. However, in the energy industry it is required that all providers are to be included due to the industry regulators, although links between the intermediary and the suppliers are not.

Internet governance

Internet governance refers to the controls put in place to manage the growth of the Internet and its usage. Governance is traditionally undertaken by government, but the global nature of the Internet makes it less practical for a government to control online. No one runs the Internet and while there are many individuals, businesses and organisations that have a vested interest in ensuring the stability of the Internet, there is no central governing body. ICANN oversees the allocation of domain names and Internet protocols and the US Department of Commerce has some sway over decisions relating to the DNS root zone (top-level domain system) with ICANN; some academics argue that ultimately the USA has the power to have the final word on decisions (Woltag, 2012). The Internet Engineering Task Force (IETF) is involved with the maintenance and development of technical standards.

Internet governance

Control of the operation and use of the Internet.

The net neutrality principle

The **net or network neutrality** principle enshrines equal access to the Internet such that telecom providers do not discriminate access to data or connectivity for different users based on their type or amount of content and platforms. For example, restricting access to streaming services for people who cannot afford higher fees violates net neutrality. The most common context for net neutrality is the desire by some telecommunications companies and ISPs to offer tiered access to particular Internet services. How net neutrality is implemented differs in different countries. The principle has been fiercely contested in the United States, where laws have been enacted both to enforce and repeal net neutrality (situation at the time of writing).

Network neutrality

‘Net neutrality’ is the principle of provision of equal access to different Internet services by telecommunications service providers.

The second and less widely applied, but equally significant, concept of net neutrality is the wish by some governments (or other bodies) to block access to certain services or content. For example, the government in China limits access to certain types of content in what has been glibly called ‘The Great Firewall of China’ (*Wired*, 2007). This refers to the development of the Golden Shield, which is intended to monitor, filter and block sensitive online content. More recently, Google has been criticised for censoring its search results in China for certain terms such as ‘Tiannamen Square’. In 2009/2010 Google considered withdrawing its business from China altogether.

Taxation

How to change tax laws to reflect the globalisation through the Internet is a problem that many governments are grappling with. The fear is that the Internet may cause significant reductions in tax revenues to national or local governments if existing laws do not cover changes in purchasing patterns. In Europe, the use of online betting in lower-tax areas such as Gibraltar has resulted in lower revenues to governments in the countries where consumers would have formerly paid gaming tax to the government via a betting shop. The UK Government aims to introduce new taxation laws to stop large Internet companies that legally avoid paying their taxes in the UK. In the past both Google and Amazon have been accused of routing their tax affairs through low-tax jurisdiction economies; indeed, according to Goodley (2017), Amazon has been found to be paying 11 times less corporation tax in the UK than other bookstores. Her Majesty’s Revenue and Customs (HMRC) has been targeting digital business and it is claimed that since 2010 it has brought in £160 billion of additional tax revenue.

Activity 3.5: Do digital companies manipulate our behaviour?

Purpose

To evaluate the influence of major digital companies on consumer behaviour.

Task

Watch this lecture ‘How Amazon, Apple, Facebook and Google manipulate our emotions’ by Scott Galloway of NYSU: <https://www.youtube.com/watch?v=xRL2vVAa47I> which discusses the increasing dominance of some businesses.

1. What is the combined level of influence of Google, Apple, Amazon and Facebook, in terms of global GDP?
2. According to Scott, what are our major concerns about this rising level of influence of the Big Four?
3. Discuss the extent to which the behaviour of these firms is anticompetitive.

Tax jurisdiction

Tax jurisdiction determines which country gets the tax income from a transaction. Under the current system of international tax treaties, the right to tax is divided between the country where the enterprise that receives the income is resident (‘residence’ country) and that from which the enterprise derives that income (‘source’ country). Laws on taxation are rapidly evolving and vary dramatically between countries.

Social media and political change

The rise of use of social media for political purposes is having far-reaching consequences. Individuals have mobilised various campaigns via social media that have brought about change – for example, ‘Occupy, the Arab Spring’ (Markham, 2016). Through social media there is a new form of political communication; politicians have direct contact with voters; campaigns can go viral and be shared with millions of social media users; adverts can be freely posted and shared via YouTube. Social media allows people to join together and political lobbyists are very aware of the power of social media networks, when it comes down to campaigning. These issues and more are explored in the case study at the end of this chapter.

This section has explored some factors that contribute to the economic forces that can affect digital marketing initiatives. The next section considers legal forces.

Legal forces

Laws develop in order to provide a framework of control and regulations that aim to enable individuals and businesses to go about their business in a legal and ethical manner. However, laws are open to interpretation and there are many legal and ethical considerations in the online trading environments. Many laws aim to prevent unethical marketing practice, so marketers have to understand and work within this regulatory framework. This section considers six of the most important legal issues for digital marketers (see [Table 3.1](#)).

Legal activities can be considered unethical

Digital marketers should be compliant with the law and adhere to **ethical standards** but the rate of technological innovation is rapid and consequently the law is often unclear. In this case, marketers need to tread carefully since unethical action can result in serious damage to the reputation of a company and negative sentiment can result in a reduction in online audience or sales.

Ethical standards

Practices and behaviours that are morally acceptable to society.

1 Data protection and privacy law

Privacy refers to a moral right of individuals to avoid intrusion into their personal affairs by third parties. Privacy of personal data, such as our identities, likes and dislikes, is a major concern to consumers, particularly with the dramatic increase in **identity theft**.

Privacy

A moral right of individuals to avoid intrusion into their personal affairs.

Identity theft

The misappropriation of the identity of another person, without their knowledge or consent.

Digital marketers can better understand their customers' needs by using this type of very valuable information. Through collecting personal information it becomes possible to develop highly targeted communications and develop products that are more consistent with users' needs. Therefore how should marketers respond to this dilemma? An obvious step is to ensure that marketing

activities are consistent with the latest data protection and privacy laws. Although compliance with the laws may sound straightforward, in practice different interpretations of the law are possible and since these are new laws they have not been tested in court. As a result, companies have to make their own business decisions based on the business benefits of applying particular marketing practices against the financial and reputational risks of less strict compliance. There is also the challenge of compliance with different laws prevalent in different countries.

Table 3.1 Significant laws that control digital marketing

Legal issue	Digital marketing activities affected
1 Data protection and privacy law	Collection, storage, usage and deletion of personal information directly through data capture on forms and indirectly through tracking behaviour through web analytics Email marketing and SMS mobile marketing Personalisation based on data collected to deliver more relevant product offers on a website or via an ad or email Use of viral marketing to encourage transmission of marketing messages between consumers Use of cookies and other techniques for personalising content and tracking on site Use of cookies for tracking between sites, for example for advertising networks Use of digital assets installed on a user’s PC for marketing purposes, e.g. toolbars or other downloadable utilities sometimes referred to as ‘malware’
2 Disability and discrimination law	Accessibility of content such as images for the visually impaired within different digital environments: <ul style="list-style-type: none"> • website • email • mobile

3 Brand and trademark protection	<ul style="list-style-type: none"> • social media • IPTV <p>Accessibility affecting other forms of disability including hearing difficulties and motor impairment</p> <p>Use of trademarks and brand names within:</p>
	<ul style="list-style-type: none"> • domain names • content on site (for search engine optimisation) • natural search results • paid search advertising campaigns (e.g. Google Ads) • representation of a brand on third-party sites including partners, publishers and social networks • defamation of employees
4 Intellectual property rights	Protection of digital assets such as text content, images, audio and sounds through digital rights management (DRM)
5 Contract law	<p>Validity of electronic contracts relevant to:</p> <ul style="list-style-type: none"> • cancellations • returns • errors in pricing • distance-selling law • international taxation issues where the e-commerce service provider is under a different tax regime to the purchaser
6 Online advertising law	<p>Similar issues to traditional media:</p> <ul style="list-style-type: none"> • Claims about the offer • Use of endorsements, e.g. celebrity endorsements in social media and by vloggers • Causing offence (e.g. viral marketing)

Viral marketing

A marketing message is communicated from one person to another, facilitated by different media, such as word of mouth, email or websites. It implies rapid transmission of messages is intended.

Effective e-commerce requires establishing a balance between the benefits the individual customer will gain from their online experience through providing personal information and the amount and type of information that they are prepared for companies to hold about them.

The main information types used by the digital marketer that are governed by ethics and legislation, are:

1. **Contact information.** This is the name, postal address, email address and, for B2B companies, website address.
2. **Profile information.** This is information about a customer's characteristics that can be used for segmentation. It includes age, sex and social group for consumers, and company characteristics and individual role for business customers (see [Chapter 6](#)).
3. **Platform usage information.** Through web analytics systems it is possible to collect information on type of computer, browser and screen resolution used by site users (see [Chapter 7](#)).
4. **Behavioural information (on a single site).** This is purchase history and the whole of the buying process. Web analytics ([Chapter 10](#)) can be used to assess the web and email content accessed by individuals.
5. **Behavioural information (across multiple sites).** This can potentially show how a user accesses multiple sites and responds to adverts across sites. Typically these data are collected and used through an anonymous profile based on cookie or IP addresses, which are not related to an individual.

[Table 3.2](#) summarises how these different types of customer information are collected and used through technology. The main issue to be considered by the marketer is disclosure of the types of information collection and tracking data used. The first two types of information in the table are usually readily explained through a privacy statement at the point of data collection and, as we will see, this is usually a legal requirement. However, with the other types of information, users would only know they were being tracked if they have

cookie monitoring software installed or if they seek out the privacy statement of a publisher that offers advertising.

Table 3.2 Types of information collected online and the related technologies

Type of information	Approach and technology used to capture and use information
1 Contact information	<ul style="list-style-type: none"> • Online forms – online forms linked to a customer database • Cookies – used to remember a specific person on sub-subsequent visits (see Digital marketing insight 3.5)
2 Profile information including personal information	<ul style="list-style-type: none"> • Online registration forms collect data on social networks and company sites • Cookies can be used to assign a person to a particular segment by linking the cookie to a customer database record and then offering content consistent with their segment
3 Access platform usage	<ul style="list-style-type: none"> • Web analytics system – identification of computer type, operating system and screen characteristics based on http attributes of visitors
4 Behavioural information on a single site	<ul style="list-style-type: none"> • Purchase histories are stored in the sales order database • Web analytics store details of IP addresses against clickstreams of the sequence of web pages visited • Web beacons in email marketing – a single pixel GIF is used to assess whether a reader opened an email • First-party cookies are also used for monitoring visitor behaviour during a site visit and on subsequent visits • Malware can collect additional information such as passwords

5 Behavioural information across multiple sites	<ul style="list-style-type: none"> • Third-party cookies used for assessing visits from different sources such as online advertising networks or affiliate networks (Chapter 9) • Search engines such as Google use cookies to track advertising; Google does it through its Google Ads pay-per-click programme • Services such as Hitwise (www.hitwise.com) monitor IP traffic to assess site usage of customer groups within a product category
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Malware

Malicious software or toolbars, typically downloaded via the Internet, which act as a ‘Trojan horse’ by executing unwanted activities such as keylogging of user passwords or viruses which may collect email addresses.

All of these issues arise in the next section, which reviews actions that marketers should take to achieve privacy and trust.

Data protection law

Data protection legislation is enacted to protect the individual, to protect their privacy and to prevent misuse of their **personal data**.

Personal data

Any information about an individual stored by companies concerning their customers or employees.

In the UK, the enactment of the European legislation is the Data Protection Act 1984, 1998 (DPA), which is managed by the legal requirements of the 1998 UK Data Protection Act. The Information Commissioner’s Office is the UK’s independent authority, which ‘upholds information rights in the public interest, promoting openness by public bodies and data privacy for individuals’ (ICO 2018). The ICO provides detailed information at: <https://ico.org.uk/>. This law is typical of laws that have evolved in many countries to help protect personal information. Any company that holds personal data on computers or on file about customers or employees must be registered with a data protection

registrar (although there are some exceptions that may exclude small businesses). This process is known as **notification**.

Notification

The process whereby companies register with the data protection registrar to inform about their data holdings.

The guidelines on data protection law are set out in the General Data Protection Regulation (2018). The GDPR applies to *controllers* of data and *processors* of data. The *controller* determines the purpose and means of processing personal data and the *processor* is responsible for carrying out the processing on behalf of the *Controller*. The GDPR applies to the gathering and using of personal and sensitive data and requires that personal data shall be:

- a** processed lawfully, fairly and in a transparent manner in relation to individuals;
- b** collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall not be considered to be incompatible with the initial purposes;
- c** adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- d** accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay;
- e** kept in a form that permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes subject to implementation of the appropriate technical and organisational measures required by the GDPR in order to safeguard the rights and freedoms of individuals; and
- f** processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing

and against accidental loss, destruction or damage, using appropriate technical or organisational measures (ICO, 2018).

Anti-spam legislation

Laws have been enacted in different countries to protect individual privacy and with the intention of reducing spam or unsolicited commercial email (UCE). Originally, the best-known **spam** was tinned meat (a contraction of ‘spiced ham’), but a modern version of this acronym is ‘sending persistent annoying email’. Spammers rely on sending out millions of emails in the hope that even if there is only a 0.01 per cent response they may make some money, if not get rich.

Spam

Unsolicited email (usually bulk-mailed and untargeted).

Anti-spam laws do not mean that email cannot be used as a marketing tool but the recipient has to agree to receive the mailing. This approach is called **permission marketing**. Permissive email marketing is based on consent or **opt-in** by customers, and the option to unsubscribe or **opt-out** is the key to successful email marketing. Email lists can also be rented where customers have opted in to receive email. This is known as a **cold list**, so called because the company that purchases the data from a third party does not know you. Your name will also potentially be stored on an opt-in **house list** within companies you have purchased from where you have given your consent to be contacted by the company or given additional consent to be contacted by its partners (known as permission marketing).

Opt-in

A customer proactively agrees to receive further information.

Opt-out

A customer declines the offer to receive further information.

Permission marketing

Customers agree (opt-in) to be involved in an organisation's marketing activities, usually as a result of an incentive.

Cold list

Data about individuals that are rented or sold by a third party.

House list

Data about existing customers used to market products to encourage future purchase.

Digital marketing insight 3.5: Understanding cookies

A **cookie** is a data file placed on your computer that identifies that individual computer. 'Cookie' derives from the Unix operating system term 'magic cookie', which meant something passed between routines or programs that enables the receiver to perform some operation.

Types of cookies

The main cookie types are:

- **Persistent cookies.** These stay on a user's computer between multiple sessions and are most valuable for marketers to identify repeat visits to sites.
- **Temporary or session cookies (single session).** Useful for tracking within pages of a session such as on an e-commerce site.
- **First-party cookies.** Served by the site visitors are accessing. These can be persistent or session cookies.
- **Third-party cookies.** Served by another site to the one being viewed, typically for publishers where an ad network will track remotely or where the web analytics software places a cookie. These are typically persistent cookies.

Cookies

Cookies are small text files stored on an end-user's computer to enable websites to identify the user.

Persistent cookies

Cookies that remain on the computer after a visitor session has ended. Used to recognise returning visitors.

Temporary or Session cookies

Cookies used to manage a single visitor session.

First-party cookies

Served by the site currently in use – typically for e-commerce sites.

Third-party cookies

Served by another site to the one being viewed – typically for portals where an ad network will track remotely or where the web analytics software places a cookie.

Cookies are stored as individual text files in a directory on a personal computer. There is usually one file per website. For example: dave_chaffey@british-airways.txt. This file contains encoded information as follows:

```
FLT_VIS |K:bapzRnGdxBYUU|D:Jul-25-1999| british-airways.com/ 0 425259904 29357426  
1170747936 29284034 *
```

Although many web users may think personally identifiable information is stored. The information in the cookie file is essentially just an identification code that may link to a customer database and the date of the last visit, although other information could be stored.

Cookies are specific to a particular browser and computer, so if a user connects from a different computer, such as at work, or starts using a different browser, the website will not identify him or her as a similar user.

What are cookies used for?

Common marketing applications of cookies include:

- **Personalising a site for an individual.** Cookies are used to identify individual users and retrieve their preferences from a database according to an identifier stored in the cookie. For example, I subscribe to the Econsultancy service (www.econsultancy.com); each time I return I do not have the annoyance of having to log in because it remembers my previous visit. Many sites feature a 'Remember Me' option, which implies using a cookie to recognise a returning visitor. Retailers such as Amazon can use cookies to recognise returning visitors and can recommend related books purchased by other readers.
- **Online ordering systems.** This enables a site such as Tesco.com to track what is in your basket as you order different products.
- **Tracking within a site.** Web analytics software such as Google Analytics, Adobe Analytics or Webtrends analyses statistics on visitors to websites and relies on persistent cookies to find the proportion of repeat visitors to a website. Webtrends and other tools increasingly use first-party cookies since they are more accurate and less likely to be blocked. Marketers should check whether use of first-party cookies is possible on their site.
- **Tracking across sites.** Advertising networks use cookies to track the number of times a particular computer user has been shown a particular banner advertisement; they can also track adverts served on sites across an ad network. There was an individual rights

outcry in the late 1990s since Doubleclick was using this to profile customers. Doubleclick no longer operates an ad network, partly due to this.

Affiliate networks and pay-per-click ad networks such as Google Ads may also use cookies to track through from a click on a third-party site to a sale or lead being generated on a destination or merchant site. These approaches tend to use third-party cookies. For example, if conversion tracking is enabled in Google Ads, Google sets a cookie when a user clicks through on an ad. If this user buys the product, then the purchase confirmation page will include script code supplied by Google to make a check for a cookie placed by Google. If there is a match, the sale is attributed to Ad. An alternative approach using third-party tracking is that different online campaigns have different tracking parameters or codes within the links through to the destination site, and when the user arrives on a site from a particular source (such as Google Ads) this is identified and a cookie is set. When purchase confirmation occurs, this can then be attributed back to the original source, e.g. Google Ads, and the particular referrer.

Owing to the large investments made now in pay-per-click marketing and affiliate marketing by many companies, cookie privacy laws and deletion are an area of concern for marketers since the tracking can become inaccurate. However, a sale should still occur even if the cookies are blocked or deleted, so the main consequence is that the ROI (return on investment) of online advertising or pay-per-click marketing may look lower than expected. In affiliate marketing, this phenomenon may benefit the marketer in that payment may not need to be made to the third party if a cookie has been deleted (or blocked) between the time of original click-through and sale.

Privacy issues with cookie use

The problem for digital marketers is that, despite these important applications, blocking by browsers or security software and deletion by users has increased dramatically. Research by Global Web Index (2014) suggests that almost half of online shoppers are now deleting cookies, while one in five say they are using tools such as DoNotTrackMe to prevent companies from monitoring their Internet activities.

It seems that many distrust cookies since they indicate a ‘big brother’ is monitoring their actions. Others fear that their personal details or credit card details may be accessed by other websites.

Legal constraints on cookies

The PECR law, particularly its update in May 2012, gives companies guidance on their use of cookies. The original 2003 law states:

a person shall not use an electronic communications network to store information, or to gain access to information stored, in the terminal equipment of a subscriber or user unless the following requirements are met.

The requirements are: (a) the user is provided with clear and comprehensive information about the purposes of the storage of, or access to, that information; and (b) is given the opportunity to refuse the storage of or access to that information. Requirement (a) suggests that it is important that there is a clear **privacy statement** and (b) suggests that explicit opt-in to cookies is required – this is what we now see on many sites following the implementation of the law in 2013. This was thought by many commentators to be a curious provision since this facility to delete cookies is available in the web browser. A further provision clarifies this. The law states: ‘where such storage or access is strictly necessary for the provision of an information society service requested by the subscriber or user’. This indicates that for an e-

commerce service session cookies are legitimate without the need for opt-in. It is arguable whether the identification of return visitors is ‘strictly necessary’ and this is why some sites have a ‘remember me’ tick box next to the log-in. Through doing this they are compliant with the law. Using cookies for tracking return visits alone would seem to be outlawed, but we will have to see how case law develops over the coming years before this is resolved.

Privacy statement

Information on a website explaining how and why individuals’ data are collected, processed and stored.

With continuing use of cookies with limited information about their usage, another attempt was made in 2018–19 through a new ePrivacy initiative that followed the GDPR legislation, but had not been agreed at the time of writing this edition. This new law could have significant implications for marketers who currently make use of display advertising, behavioural targeting and web analytics. The law followed press articles about cookie-based targeting and the ‘Do Not Track Us’ (<http://donottrack.us/>) campaign in the US supported by the Electronic Frontier Foundation, which aims to introduce a universal web tracking opt-out.

We conclude this section on privacy legislation with a checklist summary of the practical steps that are required to audit a company’s compliance with data protection and privacy legislation. Companies should:

1. Follow privacy and consumer protection guidelines and laws in all local markets, and use. Use local privacy and security certification where available.
2. Notify or inform the site visitor before asking for information on:
 - who the company is;
 - what personal data are collected, processed and stored;
 - the purpose of collection;
 - how the site visitor can opt-out (be unsubscribed from email lists or cookies);
 - how the site visitor can obtain information held about them.
3. Ask for consent for collecting sensitive personal data, and it is good practice to ask before collecting any type of data.
4. Reassure customers by providing clear and effective privacy statements and explaining the purpose of data collection.
5. Let individuals know when ‘cookies’ or other covert software are used to collect information about them.
6. Never collect or retain personal data unless it is strictly necessary for the organisation’s purposes. For example, a person’s name and full address should not be required to provide an online quotation. If extra information is required for marketing purposes this should be made clear and the provision of such information should be optional.
7. Amend incorrect data when informed and tell others. Enable correction on site.
8. Only use data for marketing (by the company or third parties) when a user has been informed this is the case and has agreed to this (known as opt-in)
9. Provide the option for customers to stop receiving information (known as opt-out).
10. Use appropriate security technology to protect the customer information on your site.

2 Disability and discrimination law

Laws relating to discriminating against disabled users who may find it more difficult to use websites because of audio, visual or motor impairment are known as **accessibility legislation**. This is often contained within disability and discrimination acts. In the UK, the relevant act is the Disability Discrimination Act 2010.

Accessibility legislation

Legislation intended to protect website users with disabilities, including visual disability.

Web accessibility refers to enabling all users of a website to interact with it regardless of disabilities they may have or the web browser or platform they are using to access the site. The visually impaired or blind are the main audience whom designing an accessible website can help. Coverage of the requirements that accessibility places on web design are covered in [Chapter 7](#).

3 Brand and trademark protection

Online brand and trademark protection covers several areas, including use of a brand name within domain names and use of trademarks within other websites and in online adverts.

Domain name registration

Most companies are likely to own several domains, perhaps for different product lines or countries or for specific marketing campaigns. Domain name disputes can arise when an individual or company has registered a domain name that another company claims they have the right to. This is sometimes referred to as ‘cybersquatting’.

One of the best-known cases was brought in 1998 by Marks and Spencer and other high-street retailers, since another company, ‘One In a Million Limited’, had registered names such as [marks&spencer.com](#), [britishtelecom.net](#) and [sainsbury.com](#). It then tried to sell these names for a profit. The companies already had sites with more familiar addresses, such as [marksandspencer.co.uk](#), but had not taken the precaution of registering all related domains with different forms of spelling and different top-level domains, such as .net. Unsurprisingly, an injunction was issued against One in a Million, which was no longer able to use these names.

The problem of companies' names being misappropriated was common during the 1990s, but companies still need to be sure to register all related domain names for each brand, since new top-level domain names are created through time, such as **.biz** and **.eu**.

If you are responsible for websites, you need to check that domain names are automatically renewed by your hosting company (as most are today). For example, the **.co.uk** domain must be renewed every two years. Companies that don't manage this process potentially risk losing their domain name since another company could potentially register it if the domain name has lapsed. A further option with domain registration is to purchase generic domain names of established sites that may perform well in the search engines.

Domain name registration

The process of reserving a unique web address that can be used to refer to the company website.

Digital marketing insight 3.6: How much is a domain worth?

One of the highest values attached to a domain in Europe was paid in 2008 when the website cruise.co.uk paid the German travel company Nees Reisen £560,000 for the rival name cruises.co.uk. Wray (2008) reported the new owner of cruises.co.uk as saying that he hopes to use the new domain differently – by turning the site into an online intermediary or community for cruising enthusiasts, while its existing cruise.co.uk will concentrate on offering the best deals for voyages. Explaining the valuation, cruise.co.uk's managing director, Seamus Conlon, stated:

'Cruises' is consistently ranked first on Google, with 'cruise' just behind. We wanted the top positions so that when Internet users are searching for cruise deals, reviews or news we are the first port of call. The cruise market is one of the fastest and most consistently growing sectors in the travel industry.

Since the commercialisation of the web, domain names have changed hands for high prices, for example:

- business.com for \$7.5 million, December 1999
 - AsSeenOnTv.com for \$5.1 million, January 2000
 - Credcards.com for \$2.7 million, July 2004
 - Insure.com for \$16 million, 2009
 - sex.com for \$14 million, October 2010
 - casino.tt for \$2.0 million, May 2011
 - 360.com \$17 million dollars, 2015.
- (Young, 2016)

However, the release of many new gTLDs by ICANN means the relative value of domains has been drifting downwards. Recently, DVDs.com, which was registered in 1996 and sold publicly for \$300,000, was listed in the auction at a starting bid of \$50,000. Even at this dramatically reduced price the domain did not sell.

Reputational damage in advertising

Companies fear reputational damage through advertising on sites with which they wouldn't want their brand associated because of ad buys on social networks or ad networks ([Chapter 9](#)) where it was not clear what content their ads would be associated with. For example, Vodafone removed all its advertising from the social network Facebook after its ads appeared on the group profile for the British National Party. Many other advertisers withdrew their advertising as a result.

Monitoring brand conversations in social networks and blogs

Online brand reputation management and alerting software tools offer real-time alerts when comments or mentions about a brand are posted online in different locations, including blogs and social networks. Some basic tools are available including:

- Talkwalker Alerts™ (www.talkwalker.com) and Google Alerts (www.google.com/alerts), which will alert companies when any new pages appear that contain a search phrase such as your company or brand names.
- Buzzsumo™ (www.buzzsumo.com) shows content that is widely shared.
- Social Bakers™ (www.socialbakers.com) provides insights on which brands are most shared in a category in social media.

There are also more sophisticated online reputation-management services that offer more in-depth analysis on whether the sentiment is positive or negative and cover other issues such as unauthorised use of logos and use of trademarks. Examples include Brand24™, Radian6™ (Part of Salesforce™) and Brandwatch™.

4 Intellectual property rights

Intellectual property rights (IPRs) protect designs, ideas and inventions and include content and services developed for e-commerce sites. Closely related is copyright law, which is designed to protect authors, producers, broadcasters and performers by ensuring they see some returns from their works every time they

are experienced. The European Directive of Copyright (2001/29/EC) came into force in many countries in 2003. This is a significant update to the law, which covers new technologies and approaches such as streaming a broadcast via the Internet.

Intellectual property rights

These protect the intangible property created by corporations or individuals that is protected under copyright, trade secret and patent laws.

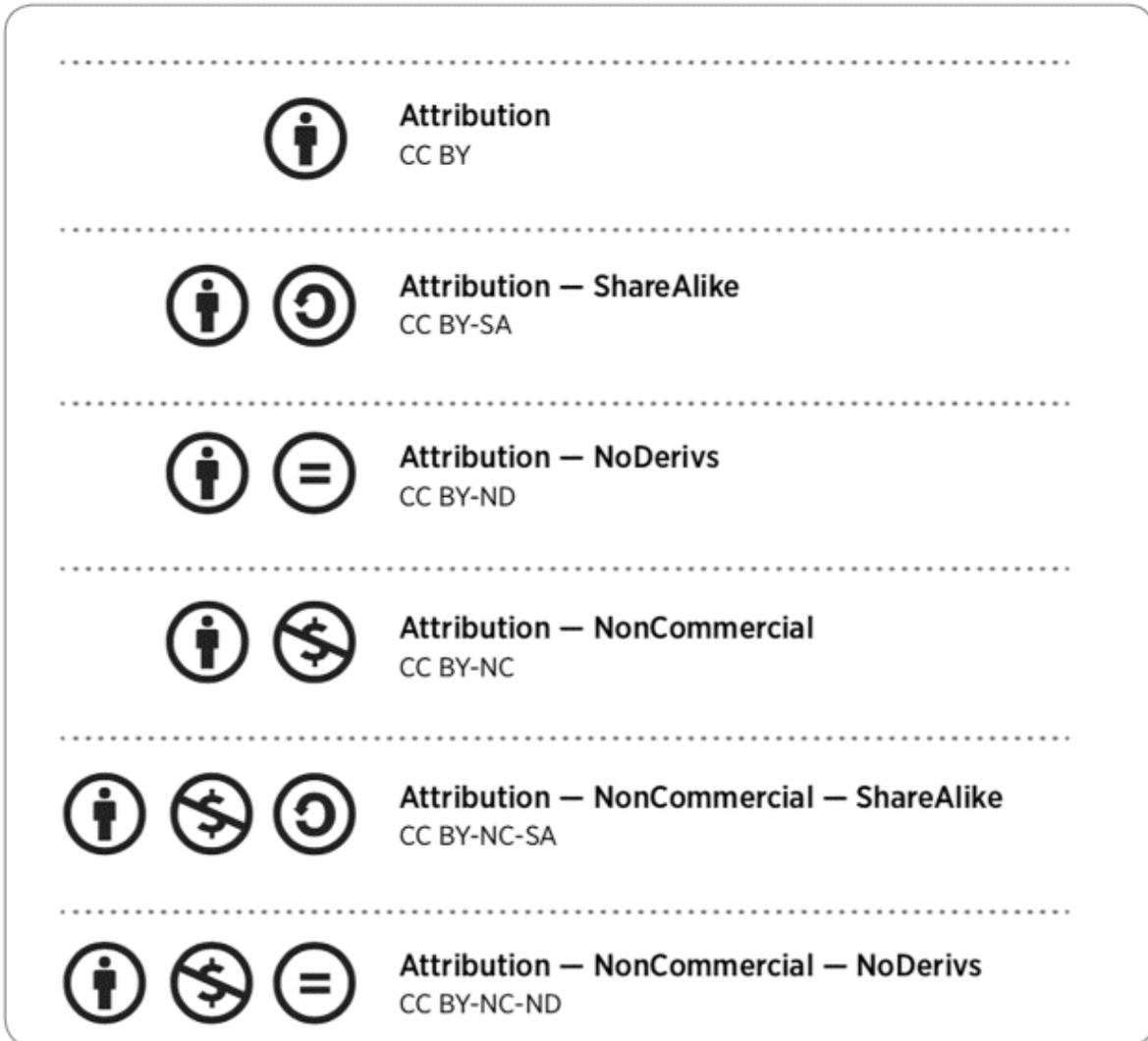
IP can be misappropriated in two senses online. First, an organisation's IP may be misappropriated and you need to protect against this. For example, it is relatively easy to copy web content and re-publish on another site, and this practice is not unknown among smaller businesses. Reputation management services can be used to assess how an organisation's content, logos and **trademarks** are being used on other websites.

Trademark

A trademark is a unique word or phrase that distinguishes your company. The mark can be registered as plain or designed text, artwork or a combination. In theory, colours, smells and sounds can also be trademarks.

The Internet and the digitisation of content has made it easy to share (legally or otherwise). In 2002, Hal Plotkin published the first written piece to use Creative Commons (CC). By 2018, there are an estimated 1.2 billion licensed works using the various Creative Commons options (Wikipedia, 2018); see [Figure 3.7](#), which depicts the options offered by CC. The aim of the CC movement is to build a better and more enriched body of work that provides an alternative to the standard copyright of 'all rights reserved'.

Figure 3.7 Creative Commons licence options



Source: Creative Commons (2018)

- Box 1 CC: Attribution Alone. Anyone can use, share, develop, reform work so long as they credit the original author.
- Box 2 CC: Attribution by SA (Share Alike). Anyone can use and develop the published content so long as they credit the original author and any changes to the original must be offered under identical terms.
- Box 3 CC: Attribution by NC (Non-Commercial). Allows for use and development of original work but non-commercially and should acknowledge the original creator.
- Box 4 CC: Attribution by NC SA (Non-Commercial Share Alike). Anyone can use and develop the published content for non-commercial purposes, so long as they credit the original author and any changes to the original must be offered under identical terms.

- Box 5 CC: Attribution by ND (NoDerivs). This allows for redistribution and none commercial sharing (of the whole original unchanged work).
- Box 6 CC: Attribution by NC ND (Non-Commercial NoDerivs). This is the most restrictive of licences, which only allows others to download and share your work with others as long as they credit the originator. No changes can be made and it cannot be used commercially.

5 Online advertising law

Advertising standards that are enforced by independent agencies such as the UK's Advertising Standards Authority Code also apply in the Internet environment (although they are traditionally less strongly policed, leading to more 'edgy' creative executions online, which are intended to have a viral effect). In the UK, the ASA maintains a list of 'noncompliant advertisers' until the offending sites have been updated: <http://www.asa.org.uk/Rulings/Non-compliant-online-advertisers.aspx>. At the time of writing, non-compliant advertisers were diverse including: traditional Chinese medicine, car accessories, ticket agencies, clothing retail, online prize promotions and spas.

One particular challenge of online advertising for consumers is that marketing communications must be obviously identifiable. Guidance covers these cases:

- Unsolicited email marketing communications must be obviously identifiable as marketing communications without the need to open them.
- Marketing communications must not falsely claim or imply that the marketer is acting as a consumer (i.e. marketers should not leave reviews about their companies or competitors on behalf of their business).
- Marketers and publishers must make clear that advertorials are marketing communications; for example, by heading them 'advertisement feature'. This guidance is necessary since the increase in native advertising has meant that many pieces of content masquerading as ads haven't been disclosed.

In the US, the Federal Trade Commission (FTC) has defined **native advertising** as 'blending advertisements with news, entertainment, and other editorial content in digital media', i.e. it is synonymous with 'sponsored content'.

Native advertising

Online content that it is created to promote or enhance a brand such as a publisher article or social media update. Such content should be disclosed as advertising by law in many

countries, but often it isn't. However, this form of advertising is becoming increasingly popular and it is possible that Artificial Intelligence will push the boundaries of this form of advertising.

In the UK, the Advertising Standards Authority (ASA) has this guidance and examples on celebrity endorsements, particularly applying to social media (<https://www.asa.org.uk/advice-online/celebrities.html>), summarised as:

- Endorsements must be genuine.
- Claims must be accurate.
- Avoid the social media pitfalls.
- Remember age matters (in alcohol and gambling ads).
- Be aware of sector restrictions.
- Be responsible.
- Seek permission.

The following are examples of native advertising and celebrity endorsement that have broken advertising guidelines:

- In 2012, England footballer Wayne Rooney used his Twitter feed to mention his sponsor Nike, by passing off a promotional message as a personal comment without clearly showing it was an advertisement.
- In 2013, *The Atlantic*, the 157-year-old magazine, carried a story about the Church of Scientology on its website celebrating the church's past year of worldwide expansion.
- In 2014, BuzzFeed featured an infographic '10 Quotes Every Grad Needs to Read' sponsored by HarperCollins.
- In 2014, British 'vloggers' or 'YouTubers' including Phil Lester and Dan Howell were censured after featuring an Oreo™ promotion 'Oreo Lick Race'.

Social forces

Social forces are closely linked with culture and have significant implications for digital marketing. Broadly speaking, the key factors that make up these forces are social communities based on demographic profile, social exclusion and cultural factors.

Our interest here is in the wider impact of demographic influences: changes in populations. Why this is important is that the size and growth rates of

populations have implications for digital marketing strategy and planning. One highly important shift in demographic trends is that for the first time in the history of the world, over 50 per cent of the population lives in an urban setting.

The world population is estimated at 7.6 billion, with 25.4 per cent being 14 and under, 65.88 per cent between the ages of 15–64 and 8.68 per cent over the age of 65. Population growth is estimated to be 1.06. The world population is predicted to continue to expand, but while the population is ageing, fertility rates are declining, so the overall speed of growth is slowing. The expanding population means there is increasing demand on finite resources. Changes in population are important to marketers as they create new market opportunities. Currently, emerging marketing in Russia, India, Brazil and China represent market growth but there are other demographic factors to consider before making a major investment in developing and emerging markets – for example, two thirds of the world’s illiterate adults live in just eight countries: Bangladesh, China, Egypt, Ethiopia, India, Indonesia, Nigeria and Pakistan (CIA, 2018).

Analysis of demographic trends can reveal important issues, such as there is a significant group in each national population of at least a quarter of the adult population that does not envisage ever using the Internet. Clearly, the lack of demand for Internet services from this group needs to be taken into account when forecasting future demand. Furthermore, this raises the questions of social isolation, or what the Oxford Internet Institute (<https://www.oii.ox.ac.uk/>) has called in its research into Internet usage: ‘Internet disengagement’. Others consider this to be an aspect of ‘social exclusion’.

Social exclusion

The social impact of the Internet has also concerned many commentators because the Internet has the potential effect of accentuating differences in quality of life, both within a society in a single country and between different nations, essentially creating ‘information haves’ and ‘information have-nots’. This may accentuate **social exclusion**, where one part of society is excluded from the facilities available to the remainder and so becomes isolated.

Social exclusion

Part of society is excluded from the facilities available to the remainder.

Developed countries with the economies to support it are promoting the use of IT and the Internet through social programmes, such as the UK government's UK Digital Inclusion strategy. Read [Activity 3.6](#) to find out how Doteveryone is aiming to help get more people online.

Activity 3.6: Doteveryone measures basic digital skills

Purpose

To learn about assessing basic digital skills.

Activity

[Doteveryone.org.uk](https://www.doteveryone.org.uk) is seeking to make the UK a place where everyone can get online. The organisation is a London-based thinktank founded by the Internet entrepreneur Martha Lane Fox.

Doteveryone uses a basic skill framework to assess the status of the digitally capable population in the UK. Visit <https://www.thetechpartnership.com/basic-digital-skills/basic-digital-skills-framework/> and read about the basic digital skills framework.

Find out about the digital skills of three of your friends or family by asking them to complete the boxes across the top of the basic skills survey sheet below.

Finally, suggest how you might encourage someone with low-level basic skills to improve.

Basic skills survey sheet

Basic digital skills category	Action	Could you do this?			Have you done this in the last three months?	
		I have no idea what you are talking about	I could do this if I was asked to	I couldn't do this if I was asked to	I have done this within the last three months	I haven't done this within the last three months
Managing information	Use a search engine to look for online information					
	Download/save a photo you found online					
	Find a website you have visited before					
Communicating	Send a personal message to another person using email					
	Make comments and share information online					
Transacting	Buy items or services from a website					
	Buy and install an app on a device					
Problem solving	Solve a problem you have with a device using online help					
	Verify sources of information you have found online					
Creating	Complete an online application that includes personal details					
	Create something new from existing online images, music or video					

As a conclusion to this chapter, consider the following case study, which highlights examples of how social media is changing the marketing landscape.

Case study 3: Social media – do celebrities call all the shots?

This case study explores how the reach and influence of social media is reshaping the marketing environment.

Our fascination with the personal and private lives of others has given rise to the increasing capacity of social media to influence every aspect of human activity (Alalwan *et al.*, 2017). But commercially, the management and governance of this type of digital communication media is often in a state of anarchy (Felix *et al.*, 2016). Nevertheless, research suggests that digital marketing managers can position their organisations in such a way that their use of social media becomes coherent, consistent and more powerful than if they were to adopt social media in an unstructured manner. In this case we look at some evidence from high-profile social media cases and apply the strategic Social Media Marketing Framework (Felix *et al.* 2016) with the aim of looking into the complexity of this disruptive digital communications channel.

Social Media Marketing Framework (SMMF)

This framework offers a holistic way to consider the strategic application of social media. Felix *et al.* (2016) propose there are four dimensions to social media marketing:

1. **Scope.** This dimension focuses on the extent to which social media platforms are used as a one-way communications tool, which provides content to entertain and inform end-users, or as an authentic collaborative environment, which facilitates reciprocal interactions between end-users and companies.
2. **Culture.** This dimension distinguishes between use of social media as a traditional mass-marketing channel or a more modernist approach of being open and flexible and embracing the style of social media platforms.
3. **Structure.** This dimension looks at organisation and how social media is deployed: is its application subject to centralised control and clearly defined protocols to assigned employees, or is it decentralised and the responsibility of all employees, which removes the need for the role of a marketing director?
4. **Governance.** This dimension relates to company rules and to what extent employees are told what they can and cannot say on social media platforms.

This framework seeks to highlight the complexities underlying the use of social media, and the importance of taking a multidimensional approach towards its application and management.

Now let's look at some recent high-profile social media activity to see if the SMMF helps shed light on the reach and success of each of our pieces of evidence.

Evidence 1: Celebrity engagement – Kylie Cosmetics

Social media platforms, from Facebook, Twitter and Instagram to LinkedIn, invite sharing of personal and commercial information, in various formats – text, photos, videos, audio, blogs and messages. Today Kylie Jenner, USA reality television celebrity, and social media personality, reportedly wiped \$1.5 billion dollars off the value of Snapchat by tweeting that she no longer reads these messages. Kylie, who seeks to constantly engage her audience, posted an indistinct image of her new baby daughter and got 11 million likes in just a few hours (BBC, Newsround, 2018). Kylie is related to Kim Kardashian, famous in the US for reality TV show *Keeping Up With the Kardashians*. Kim and the rest of the Kardashian-Jenner family have developed a powerful social media presence, which is also financially valuable (Gajanan, 2017). Kylie has utilised the reach of digital social media to build a \$400 million cosmetics business in under two years. On her Kylie Cosmetic website, customers are encouraged to use the #KylieCosmetics to share photos of themselves wearing the makeup products. Her interest in social media came from Youtube teen makeup tutorials and she utilised this knowledge and an online show to grow the cosmetics brand.

Evidence 2: Political campaigns – #grabyourwallet

Shannon Coulter launched a campaign to encourage shoppers to stop buying Ivanka Trump apparel following derisory comments from Donald Trump about women. Her campaign, #grabyourwallet, called for action to boycott retailers stocking this fashion brand. As the social media campaign grew, more big-brand US retailers such as Nelman Marcus, Belk and Nordstrom reconsidered whether they should sell this merchandise. Interestingly, none of these retailers actually reported on links between the boycott and how it had affected sales. But, allegedly, Ivanka's brand has seen an increase in sales of 21 per cent since the launch of this social media campaign, which is attributed to category and market expansion. For Coulter, the campaign has burgeoned into a much wider expression of 'anti-Trump sentiment' and an economic boycott against companies with connections to Donald Trump (Halzack, 2017). She sees this as being a way for consumers to get actively involved with others who share similar opinions.

Evidence 3: Financial compliance

The financial services industry is typically risk averse, so initially social media represented a major threat and as a result many banks, building societies and other financial institutions avoided being represented on social media platforms. But many of their customers had other ideas, as they increasingly demanded real-time responses from all of the companies and service providers they engage with. So, these firms began investing in financial technology (FinTech), which resulted not only in faster and improved services but also widespread use of social media. Facebook, Twitter and other platforms are used in a controlled way: as a channel that facilitates customer interaction; a marketing channel to improve targeting and niche market expansion; a delivery channel for new products; and exploring new business models (Eldridge, 2017). But hereby is perhaps the biggest threat of all: by embracing social media, financial services have conceded 'customer mindshare' to GAFAMs (Google, Apple, Facebook, Amazon, Microsoft) and paved the way for *none banks* to replace the long-standing traditional financial services firms (Birch, 2018).

Evidence 4: Social media local and personal

Instagram launched in 2010, attracted 10 million members in year one and its membership has now reached over 800 million (active users), with the rate of its expansion growing faster and faster. This growth may be explained in part by the war between Facebook (owners of

Instagram) and Snapchat, which created new ways to communicate using personal images. Instagram has added features, with greater opportunity to personalise photo galleries, and in doing so has become more like Facebook (Manjoo, 2017).

Questions

- 1 Use the dimensions of the SMMF to analyse the following:
 - a Kylie Jenner's cosmetics;
 - b Shannon Coulter's #grabyourwallet.
- 2 Suggest how the SMMF helps to:
 - a interpret what is happening in the financial services industry in relation to its use of social media;
 - b provide strategic solutions for the use of social media that might help to protect banks and building societies from the GAFAMs.
- 3 Discuss the extent to which it is possible to strategically manage social media using case evidence 1 to 4.

Summary

1. Environmental scanning and analysis of the macro-environment are necessary in order that a company can respond to environmental changes and act on the forces that shape the trading environment.
2. Technological forces are arguably the most likely and most important for digital marketers to watch and assess. Rapid variation in technology requires constant monitoring of adoption of the technology by customers and competitors and appropriate responses.
3. Economic forces considered in this chapter include classic economic factors, i.e. employment, interest rates and market growth and emerging markets for digital marketers.
4. Political forces involve the role of governments in promoting e-commerce, but also in trying to restrict it, which raises the question of democracy and the Internet.
5. Legal forces to be considered by e-commerce managers include privacy and data protection, distance-selling rules, taxation and brand reputation protection, including domain name registration and copyright.
6. Social forces include variation in usage of the Internet, while ethical issues include the need to safeguard consumer privacy and security of details.

Privacy issues include collection and dissemination of customer information, cookies and the use of direct email. Marketers must act within current law, reassure customers about their privacy and explain the benefits of collection of personal information.

Exercises

Self-assessment exercises

1. Summarise the key elements of the macro-environment that should be scanned by a digital marketing and e-commerce manager.
2. Give an example of how each of the macro-environment forces may directly drive the content and services provided online across multiple channels: web, mobile and social media.
3. What actions should digital marketing managers take to safeguard consumer privacy and security?
4. Give three examples of techniques digital channels can use to protect the user's privacy.
5. How do governments attempt to control the adoption of the Internet and to what extent does this impact on the democracy of information?
6. Suggest approaches to managing the rapid change of technological innovation.

Essay and discussion questions

1. You recently started a job as digital marketing manager for a major retailer. Produce a checklist of all the different legal issues that you need to check for compliance on the retailer's digital channels.
2. Discuss the influence of the UK Government on the growth of the digital economy.
3. Discuss the legal constraints a marketer should consider when managing social media channels for a manufacturer brand.
4. Thinking about copyright legislation and controls, explain how to go about publishing online.
5. Debate the impact of digital technology on the way we live, work and enjoy ourselves by focusing on freedoms and limitations.
6. From a macro-environmental perspective, consider the extent to which digital channels are replacing physical channels.

Examination questions

1. Summarise the macro-environment variables a company needs to monitor when operating a) an information-only website, b) a transactional e-commerce site and c) a social media site.
2. Discuss the potential significance of economic influences on the development of digital marketing initiatives.
3. Discuss the implications of not conducting environment scanning when launching a new brand.
4. Imagine you are a blogger for a service sector brand. Explain how you could use Creative Commons licensing to ensure you are sharing content legally.
5. Social media can be a powerful communication channel. Discuss the opportunities and pitfalls of these platforms.
6. Devise a plan of action for an online business to ensure compliance with ethical and legal standards of their e-commerce site.

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Weblinks

- **Oxford Internet Survey (OxIS)** ([www.http://oxis.oii.ox.ac.uk/](http://oxis.oii.ox.ac.uk/)). Research and statistics from the Oxford Internet Institute designed to offer detailed insights into the influence of the Internet on society in Britain, including ‘Internet disengagement’.
- **Pew Internet and American Life Project** (www.pewinternet.org). Funds and publishes original, academic-quality research that explores the impact of the Internet on society. Also highlights adoption trends such as social networks, online video and chat.
- **Smart Insights Digital Marketing Statistics sources** (www.smartinsights.com/digital-marketing-statistics). A compilation of the Top 10 statistics sources and a custom search engine to search them.

Digital law, data protection and privacy links and resources

- **Marketing and advertising: the law** (<https://www.gov.uk/marketing-advertising-law>); UK Government guide on advertising and direct selling regulations; United Kingdom Information Commissioner (<https://ico.org.uk/>).
- **OUT-LAW** (www.out-law.com). This site has 8,000 pages of free legal news and guidance, mostly on IT and e-commerce issues produced by UK law firm Pinsent Masons.
- **Privacy International** (www.privacyinternational.org). Group campaigning for privacy – contains information on legal developments in different countries.
- **Wikipedia:** Summary of Privacy law (https://en.wikipedia.org/wiki/Privacy_law).
- European Commission Data Protection and privacy legal resources (https://ec.europa.eu/info/law/law-topic/data-protection_en).
- European Commission Digital Economy and the law (http://eur-lex.europa.eu/summary/chapter/information_society.html?root_default=SUM_1_CODED=31).
- United States (CAN-SPAM Act) (www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business).
- Summary of the spam laws in all countries (www.spamlaws.com).

Part 2

Digital marketing strategy development



In Part 2, we explore digital marketing strategy development by combining traditional approaches to strategic marketing planning with deploying digital media, data and technology. [Chapter 4](#) presents a framework for developing digital marketing strategies, [Chapter 5](#) discusses the opportunities for varying the marketing mix online and [Chapter 6](#) reviews strategies for digital customer relationship management.

4 Digital marketing strategy

- [Understanding the impact of digital disruptors](#)
- [Digital marketing strategy as a channel marketing strategy](#)

- The scope of digital marketing strategy
- Importance of integrated digital marketing strategy and digital transformation plan
- How to structure a digital marketing strategy
- Situation analysis
- Competitor analysis
- Setting goals and objectives for digital marketing
- Strategy formulation for digital marketing
- Strategy implementation
- Assessing different digital projects including marketing technology

5 Digital media and the marketing mix

- Product
- Price
- Place
- Promotion
- People, process and physical evidence

6 Relationship marketing using digital platforms

- Using social media to improve customer loyalty and advocacy
- The challenge of customer engagement
- Customer lifecycle management strategy

Chapter 4

Digital marketing strategy

Chapter at a glance

Main topics

- Understanding the impact of digital disruptors
- Digital marketing strategy as a channel marketing strategy
- The scope of digital marketing strategy
- Importance of integrated digital marketing strategy and digital transformation plan
- How to structure a digital marketing strategy
- Situation analysis
- Competitor analysis
- Setting goals and objectives for digital marketing
- Strategy formulation for digital marketing
- Strategy implementation
- Assessing different digital projects including marketing technology

Case study

Case study 4: ASOS shifts the focus of high-street retailing

Learning objectives

After reading this chapter, you should be able to:

- Integrate digital marketing strategy to traditional marketing and business strategy
- Identify opportunities and threats arising from digital media and technology platforms
- Develop a framework for digital marketing planning
- Evaluate digital strategy approaches for different marketplaces

Questions for marketers

Key questions for marketing managers related to this chapter are:

- What approaches can be used to create digital marketing strategies?
- How does digital marketing strategy relate to marketing strategy development?
- What are the key strategic options for digital marketing?

Links to other chapters

- Builds on the evaluation of the Internet environment from Chapters 2 and 3
- Links to different elements of the marketing mix as part of digital marketing strategy, as discussed in Chapter 5
- Chapter 6 describes customer relationship management strategies and online segmentation, which are vital for strategy development
- Chapter 8 links to goal setting for digital campaigns and strategies for developing the right communications mix
- Options for segmenting site visitors through web analytics systems are covered in Chapter 10.

Introduction

This chapter begins by considering an appropriate process for developing a digital marketing strategy, and then looks at the following aspects of strategy development:

1. situation review (drawing on our coverage in Chapters 2 and 3);
2. goal and objective setting;
3. strategy formulation.

Figure 4.1 provides an overview of digital marketing strategy development. The internal influences include top-level business objectives, which influence marketing strategy and ultimately provide direction for the digital marketing strategy. Key external influences include the market structure and demand, competitor strategies and opportunities and threats, in particular those enabled by new digital technologies (e.g. mobile marketing and social media, virtual reality, Artificial Intelligence) and marketing tactics (e.g. use of search, advertising,

personalisation and messaging). Methods for monitoring the external environment to anticipate external opportunities and threats and competitors' actions have been introduced in Chapters 2 and 3.

Essential digital skills: Digital strategy development

Of all the topics in this book, strategy is the most difficult to develop your skills without direct experience of different sectors. But, by considering examples of strategy development by pureplays and existing businesses of different sizes in different sectors, you will be able to generate ideas for digital disruption that other organisations have used that could apply in your sector.

We recommend you develop these skills:

- understanding digital revenue and business models (which we first introduced in [Chapter 2](#));
- understanding how to assess audience demand for services in a sector and the potential for a business to attract new customers at an acceptable cost per acquisition.

Practical ideas to boost employability by showcasing your interests and experience include:

- using the Business Model Canvas Framework, (businessmodelgeneration.com) to summarise business models for the examples in this chapter or companies you are familiar with from your work experience;
- using the tools for assessing consumer demand for digital services introduced in [Table 2.1](#) – for example, using the Google Ads Keyword Planner to assess the cost and volume of attracting visits through paid search or Facebook IQ for increasing awareness using Facebook advertising;
- understanding the VQVC objectives explained in this chapter by accessing Google's Demo account for their retail store (you can find it via Google).

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at: <http://bit.ly/smartdigiskills>.

Additionally, we examine the range of options available for organisations to disrupt through digital media, data and technology and that digital marketing strategy often requires a long-term roadmap. In many larger organisations this is developed as part of a digital transformation programme since it is not practical to implement the change required within annual planning cycles more typical of marketing in smaller and mid-size organisations.

Fundamentally, a **digital marketing strategy** should provide consistent direction for an organisation's online marketing activities and channel integration. The aim

is to integrate digital with other marketing activities and ultimately support its overall business objectives. Digital marketing strategy aims are similar to the aims of traditional marketing strategies to grow a business through customer acquisition and retention or to achieve communications goals of not-for-profit organisations. Our definition of digital strategy development emphasises the need to deploy digital media, data and technology integrated with traditional channels to achieve audience engagement goals to support marketing objectives (see [Chapter 1](#) where we define the ‘5Ds of digital marketing’).

Digital marketing strategy

Definition of the capabilities and strategic initiatives to support marketing and business objectives an organisation should deploy to harness digital media, data and marketing technology to increase multichannel engagement with their audiences using digital devices and platforms.

Understanding the impact of digital disruptors

Digital strategy is ultimately driven by innovation in digital media, data management and technology. This **digital disruption** enables new entrants to a market, such as those shown in [Table 1.1](#), and agile existing businesses to deploy new business models and revenue models based on digital media, data and technology. The best-known examples of disruptors are Amazon (retail), Airbnb (accommodation), TripAdvisor (travel), Uber and Deliveroo™ (personal transportation and food delivery).

Digital disruption

Innovations in digital media, data and marketing technology that enable a change to a new basis for competition in a market or across markets.

The raft of new digital technologies and consumer devices regularly launched at consumer trade shows such as CES (<https://www.ces.tech/>) and digital business events such as CeBIT (<https://www.cebit.de/en/about-cebit/>) show that digital disruption is here to stay. Innovation from the main digital platforms that consumers use to interact and select products, such as Apple, Amazon, Google, Facebook, Instagram, Twitter and Pinterest, also provide options for disruption. For example, Amazon (*Machine Learning at Amazon Web Services*) and Google (*Google Cloud Machine Learning at Scale*) have recently launched low-cost

Artificial Intelligence solutions that can be deployed by businesses across sectors to achieve digital disruption.

Digital marketing strategy as a channel marketing strategy

For existing businesses, digital marketing strategy is a **channel marketing strategy**, which defines how a company should set *channel-specific objectives* and develop *differential* advantage while at the same time considering how channels should integrate. The key aim is to use digital channels to enable companies and organisations to stand out from the competition when communicating with relevant target audiences. Digital channel strategy has two components – many may see it simply as a digital communications strategy (reviewed in Chapters 6 to 9), but it should also define changes to the proposition enabled by digital channels (reviewed in Chapter 5 on the marketing mix), including product, pricing, place, promotion and changes to customer service.

Channel marketing strategy

Defines how a company should set specific objectives for digital channels and how they integrate with traditional channels, including web, mobile and social media, and vary its proposition and communications for this channel.

The strategy determines the strategic significance of digital channels relative to other communications channels used to communicate directly with customers at different **customer touchpoints**. See Figure 1.1 and Digital marketing insight 4.1 for further discussion of customer touchpoints.

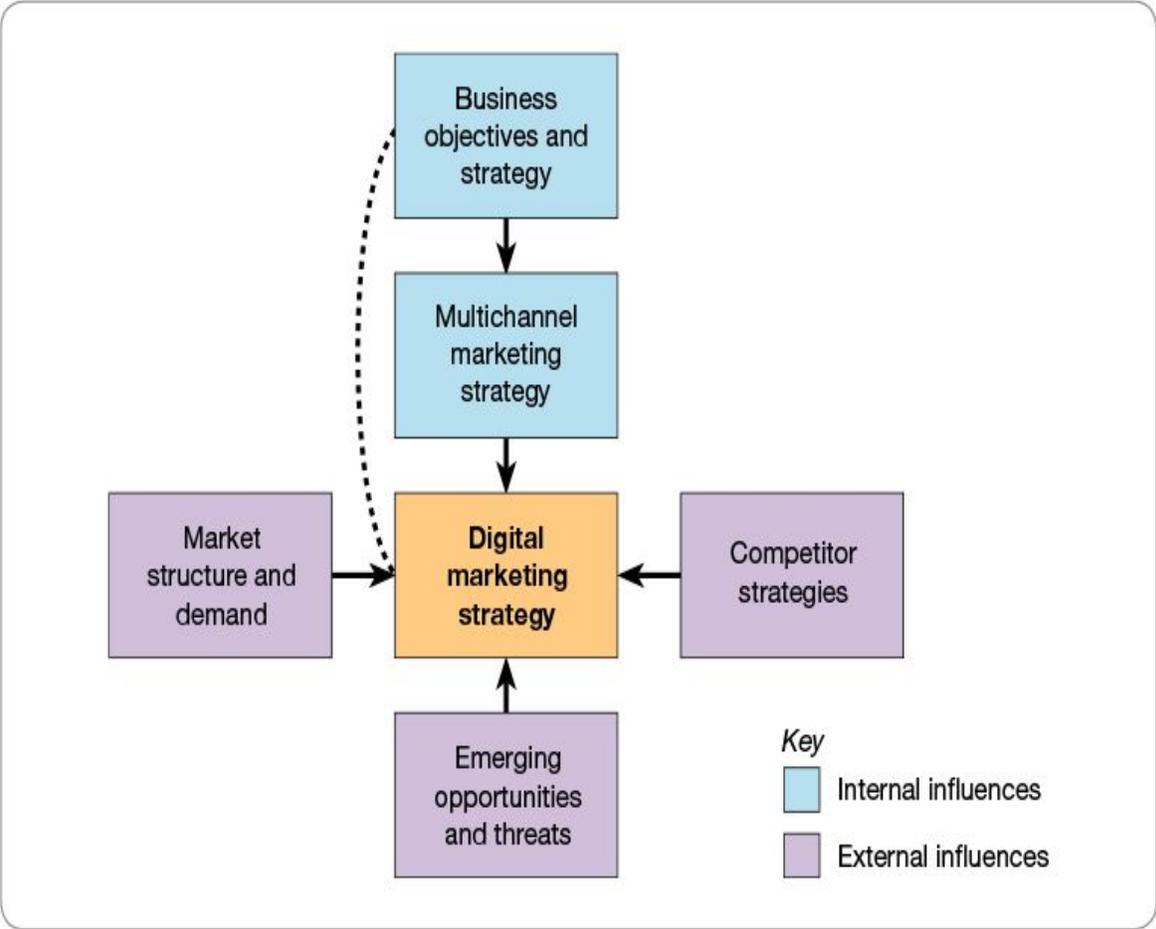
Customer touchpoints

Communications channels with which companies interact directly with prospects and customers. Traditional touchpoints include face to face (in-store or with sales representatives), phone and mail. Digital touchpoints include web services, email and, potentially, mobile phones.

Overall, the way people shop is changing as a result of the interventions of digital technologies and social media. Consumer decision making has become more complex and as a result the shopper's path to purchase can mean that they not only encounter all of the traditional (pre-Internet) purchasing cues but this is also integrating with a range of new digitally enhanced cues such as social media

mentions and comparison sites (Fulgoni, 2014). Businesses can no longer ignore digital channels and many retailers are finding ways to increase their reach and number of customer touchpoints. For example, in November 2014, US department store retailer Macy's, with over 850 physical stores, introduced a smartphone app that enabled shoppers to search to find out whether a particular item was in stock in a local Macy's store. Macy's claims that every dollar it invests in search marketing drives \$6 towards a store purchase (Rodriguez, 2014).

Figure 4.1 Internal and external influences on digital marketing strategy



Digital marketing insight 4.1: Retail digital channels and touchpoints

Possibilities opened up by e-commerce sparked new thinking about how computer networks might facilitate and increase trade in consumer markets. Retailers have devised new operational strategies that incorporate their operations and digital technology to develop

different approaches and this has led to a proliferation of touchpoints to engage consumer engagement online. For example:

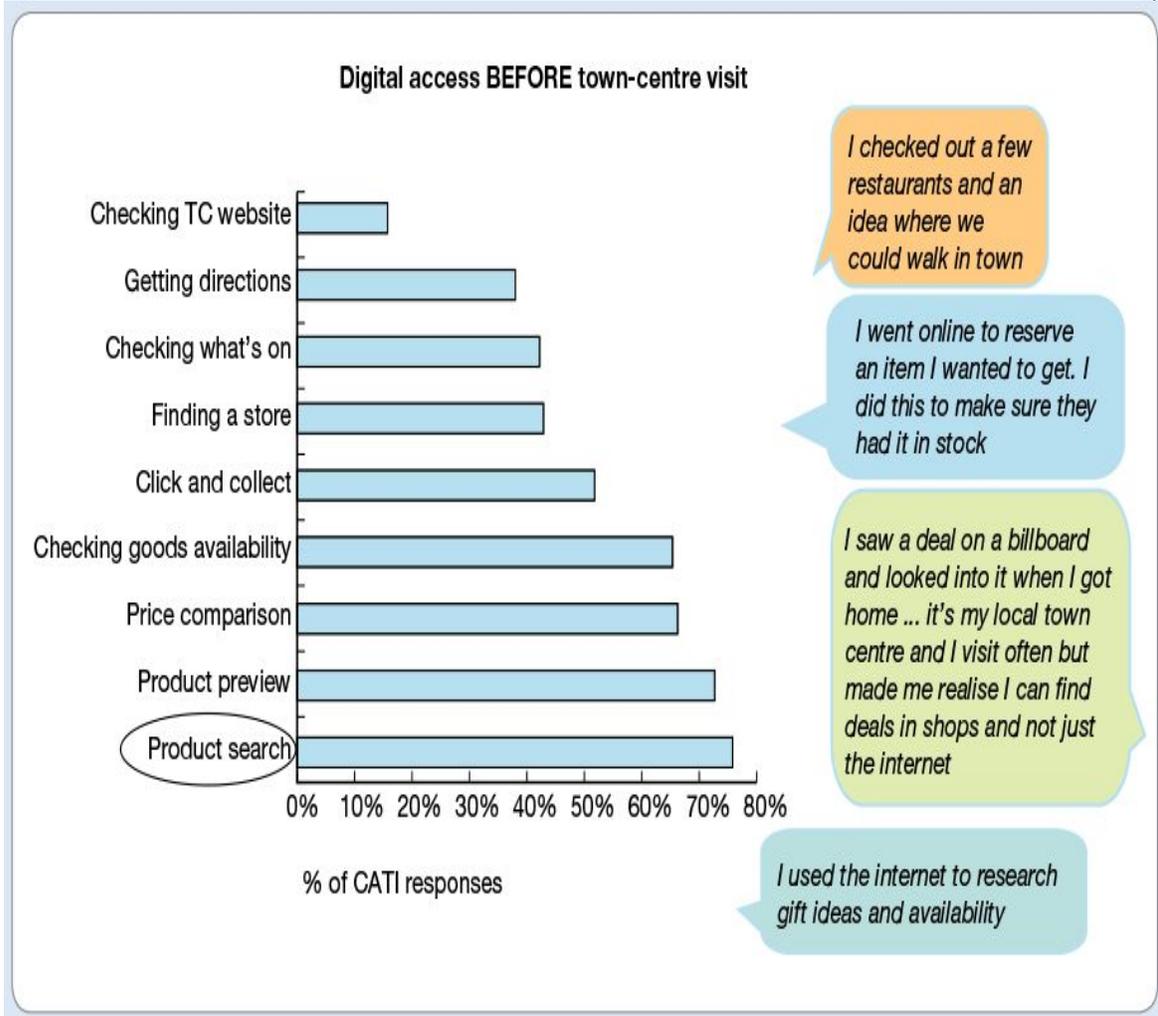
- Bricks-and-clicks retailers (involves operating mainly from a physical store and developing an online e-commerce shop). The digital channel is integrated into their businesses either strategically or tactically as a marketing tool or a sales channel. In the UK, the majority of major high-street brands use this type of approach, including: Next.co.uk, Sainsburys.co.uk, topman.co.uk and specsavers.co.uk.
- Clicks-and-mortar retailers (involves online retailers developing a physical store). For example, Oakland Furniture™ started with an eBay shop, which was so successful the company started selling through physical stores. This strategy has enabled growth and the company has become one of the UK's leading retailers (Found, 2016). Some pureplay retailers are now venturing offline, with Amazon and Zalando™ opening high-street stores following the trend set by manufacturers such as Apple and Samsung™.
- Pureplay retailers (involves 'click-only' and operating entirely online). While these retailers do not have fixed-location stores they will have physical operational support systems (e.g. distribution warehouses), as is the case with Zalando and ASOS™ (read more in the ASOS case study at the end of this chapter). As a result, retailers are becoming increasingly more creative with how they are using the Internet and associated digital technologies to serve the needs of their customers. A high proportion of customers now use multiple channels when making purchase decisions, combining online research with physical store visits (Hart *et al.*, 2017).

Research (Hart *et al.*, 2017; Stocchi *et al.*, 2016), found that on a typical visit to a town centre consumers refer to multiple digital touchpoints before and during their shopping journeys (see Figures 4.2 and 4.3). Digital marketers should be aware of how their target markets respond to digital to ensure they maximise opportunities to engage customers at every stage in their journeys.

In order to make best use of digital channels, according to Fulgoni (2014), there are three priorities for retail businesses:

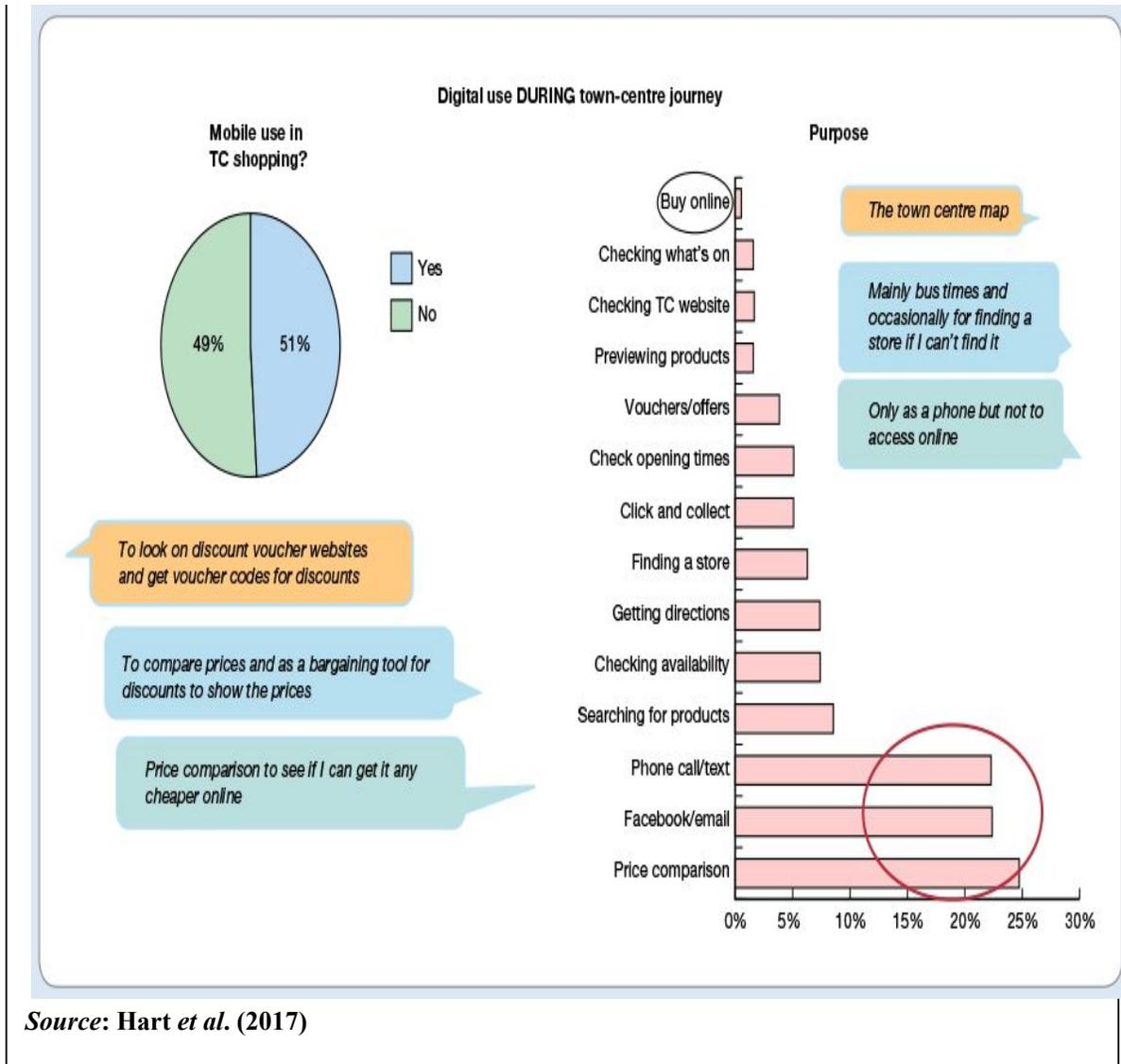
1. *Eliminate silos and create seamless experiences* for consumers all the way along the path-to-purchase. Look for ways to bring together the on- and offline worlds and avoid isolated marketing campaigns, which do not integrate. If there is any friction along the journey a shopper is likely to defect to another supplier (e.g. if a retailer sells products at different prices online to in-store).
2. *Increase opportunities to digitally interact* by understanding more about their paths-to-purchase (e.g. provide incentives along the way through digital advertising and mobile promotions).
3. *Analyse and measure consumer behaviour* at all touchpoints in order to develop deep and insightful understanding of what is driving shoppers' choices and purchase decisions.

Figure 4.2 Typical shopper behaviour before a town-centre shopping trip



Source: Hart et al. (2017)

Figure 4.3 Digital access during town-centre visit



It is not only retailers that make use of multiple channels to engage their customers – airlines (British Airways™), rail companies (Virgin Trains™), pubs and restaurants (JD Wetherspoons™) use virtual channels (apps, websites, email marketing) to integrate the physical customer experience with the digital to deliver services and communicate with customers.

So, the focus of digital marketing strategy is decisions about how to use digital channels to support existing marketing strategies, how to exploit its strengths and manage its weaknesses, and to use it in conjunction with other channels as part of a **multichannel marketing strategy**. This should define how traditional marketing channels integrate with digital and support each other to meet corporate and marketing visions and goals. Indeed, Keith Weed, head of

communications at Unilever™, says ‘we are no longer doing digital marketing, but marketing in a digital world’ (Weed, 2017).

Multichannel marketing strategy

Defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

The scope of digital marketing strategy

Although enhancing website experiences that are effective for mobile and desktop users will be a central part of the strategy, digital marketers should also examine broader issues of how to:

- use marketing automation tools for customer relationship development (as described in [Chapter 6](#)); these may include email, mobile and web-based personalisation based on CRM databases;
- develop the overall customer experience across multiple channels (as described in [Chapter 7](#) in the section on customer experience management (CXM), including using structured experiments such as AB testing using the range of martech (as explained in [Chapter 10](#));
- maximise the results from partnering and advertising with online intermediaries such as publishers, and influencers such as bloggers (as described in [Chapters 8 and 9](#));
- harness social media marketing, both through use on its own site through user-generated content and through paid ads within the main social networks such as Facebook, Instagram, LinkedIn and Twitter (as described in [Chapter 9](#)).

Strategy development may also involve redesigning business processes to integrate with partners, e.g., suppliers and distributors.

As the Internet and digitally enhanced trading environments are more widely adopted, the scope for redesigning business processes extends even further. Marketers not only need to look for opportunities to use technology to enhance their offer but must also ensure they protect their competitive positioning. See [Digital marketing insight 4.2](#) about DHL and Sainsbury’s Argos supporting a multichannel with a two-person approach.

Digital marketing insight 4.2: DHL and Sainsbury's Argos support multichannel

Selling bulk consumer goods online (e.g. furniture, kitchen appliances, washing machines, sporting treadmills) raises challenges. But Sainsbury's Argos™ in collaboration with DHL have turned this into an opportunity. In the past the problem was having only one person driving the delivery vehicles, so on arrival at the customer's home moving the goods into place was often difficult, especially for properties that were not on the ground floor. The rise in online sales meant a solution was required; the answer: the two-man home delivery service, fully integrated across the supply chain. By having two people involved in the home delivery, DHL has seen an annual growth in demand of 6.5 per cent, which is above the retail sector average of 2 per cent for these types of goods (Harthorne, 2017). Additionally, this new approach has increased customer satisfaction and levels of service, and increased the speed so that next-day delivery can be offered to 95 per cent of the UK. The delivery services are supported by a mobile app and live chat via the Argos website.

Figure P.1 in the Preface suggests the range of digital marketing activities that must be managed as part of a digital marketing strategy, structured around the customer lifecycle defined as the four steps in RACE Planning (Smart Insights, 2015). The figure shows that the operational activities that need to be implemented and managed as part of strategy can be usefully divided into those focusing on (1) customer acquisition, (2) customer conversion, proposition and experience development, and (3) customer retention and growth. Improving the capability to execute many of these activities will be decided upon through the review process of creating a digital marketing strategy. An output from the digital strategy will be a series of strategic digital marketing initiatives in the areas of customer acquisition, conversion or retention, such as those shown in Table 4.1. These initiatives will typically be prioritised and placed as part of a long-term e-commerce 'roadmap' defining required developments over a longer period, say one to three years.

Table 4.1 Summary of typical focus for main types of strategic digital marketing initiatives

Type of digital marketing strategy initiative	Commentary	Examples
New customer proposition	Innovative website features digital	HSBC Bank PLC™ introduced new financial calculators to drive sales of loans, credit cards and savings accounts

(product and pricing)	communications related to new products or services that will generate revenue	
Customer acquisition	Innovative marketing designed to enhance digital capability and aimed to attract new customers	Content and inbound marketing deployed by HubSpot™ to achieve a successful stock-market flotation in the US including: search engine optimisation (SEO) pay-per-click (PPC) Co-marketing and influencer marketing Affiliate marketing and aggregators more relevant for transactional businesses
Customer conversion and customer experience initiatives	Innovative features that add functionality and increase conversion rates and average order values. Strategic initiatives aimed at improving the customers' brand experience	JD Wetherspoons Order & Pay app Customers can now find a table, order and pay on their phone; food and drinks are delivered directly to the table. No queuing at the bar or waiting to pay. Reducing barriers drives sales
Customer development and growth strategic initiatives	Investments to improve the experience and delivery of offers to existing customers	Volkswagen™ is increasing sales and customer conversion through its digital ecosystems. MyVolkswagen app links customers to their car, providing servicing updates and delivery information; Car-Net connects smartphones and watches to navigation and in-car security; Volkswagen Connect gives driving information, charging updates and car location capabilities
Social media and, content marketing	Broader application of social media for	Airbnb used Instagram and celebrities such as Mariah Carey and Lady GaGa to

	acquisition, conversion and retention	act as influences for the accommodation platform
Enhanced marketing capabilities through site infrastructure improvements	These typically involve 'back-end or back-office features' that won't be evident to users of the site, but will help in the management or administration of the site	CRM or personalisation Content management system Performance improvement – improve management information, web analytics systems including systems for multivariate and AB testing Improve customer feedback facilities
Resourcing and governance strategies	Changes needed to marketing management given the increased importance of digital media and technology	Process change Skills development Team structure

Importance of integrated digital marketing strategy and digital transformation

Digital marketing is becoming increasingly pervasive across every aspect of an organisation's activities, but there are many aspects of managing digital media and technology to consider when seeking to integrate digital marketing across an organisation:

- *gaining buy-in and budget* consistent with audience media consumption and value generated;
- *conflicts of ownership and tensions* between a digital team and other teams such as traditional marketing, IT, finance and senior management;
- *coordination with different channels* in conjunction with teams managing marketing programmes elsewhere in the business;

- *managing and integrating customer information* about characteristics and behaviours collected online;
- *achieving consistent reporting*, review, analysis and follow-up actions of digital marketing results throughout the business;
- *structuring the specialist digital team* and integrating into the organisation by changing responsibilities elsewhere in the organisation;
- ‘*time to market*’ for implementing new functionality on a site;
- *insourcing vs outsourcing online marketing tactics*, i.e. search, affiliate, email marketing, PR; and staff recruitment requirements.

Given the scope and importance of digital marketing for many organisations, as we explained in [Chapter 1](#), many large organisations are now implementing **digital transformation** programmes, which have these features:

- Gain agreement of long-term term digital marketing strategy and investment levels between relevant parts of an organisation, i.e. senior management team, marketing, corporate communications/brand, e-commerce/trading, IT and data management.
- Broad scope covering resource investment for digital media, data management and marketing technology.
- Consider changes to process, structure and skills (internal and resources) needed to implement change and agree integration of communications across traditional and digital channels.
- Review approach to insight, measurement and improvement, e.g. agreeing relevant KPIs, dashboards to review them and use of structured experiments to make improvements.
- Define a roadmap and change programme for implementing changes.

Digital transformation

A staged programme of business improvements to people, processes and tools used for integrated digital marketing to maximise the potential contribution of digital technology and media to business growth.

Ultimately, the transformation plan should integrate all of their strategic plans into the organisation’s overall long-term business plan. [Figure 4.4](#) shows a planning hierarchy for an organisation, from a corporate or business plan. The figure shows how the digital marketing plan supports other strategic and tactical initiatives. (See [Chapter 8](#) for further discussion of these techniques.) We see a specific digital marketing plan as a temporary, interim tool to support digital

transformation by defining the major changes needed for processes, resourcing, structure, media investment and proposition development. Once these issues have been addressed, then digital channel activities can and should be integrated within the broader marketing and communications plans. A digital marketing specialist or consultant can create a digital marketing plan to help inform and influence not only senior managers or directors and other non-marketing functions, but also to achieve buy-in from fellow marketers. Failure to plan how to manage digital channels can lead to the problems shown in [Table 4.2](#), which can be reduced if a digital marketing strategy and transformation plan is in place to manage the problems. [Activity 4.1](#) explores the benefits of a planned approach.

Figure 4.4 Hierarchy of organisation plans including digital marketing plans

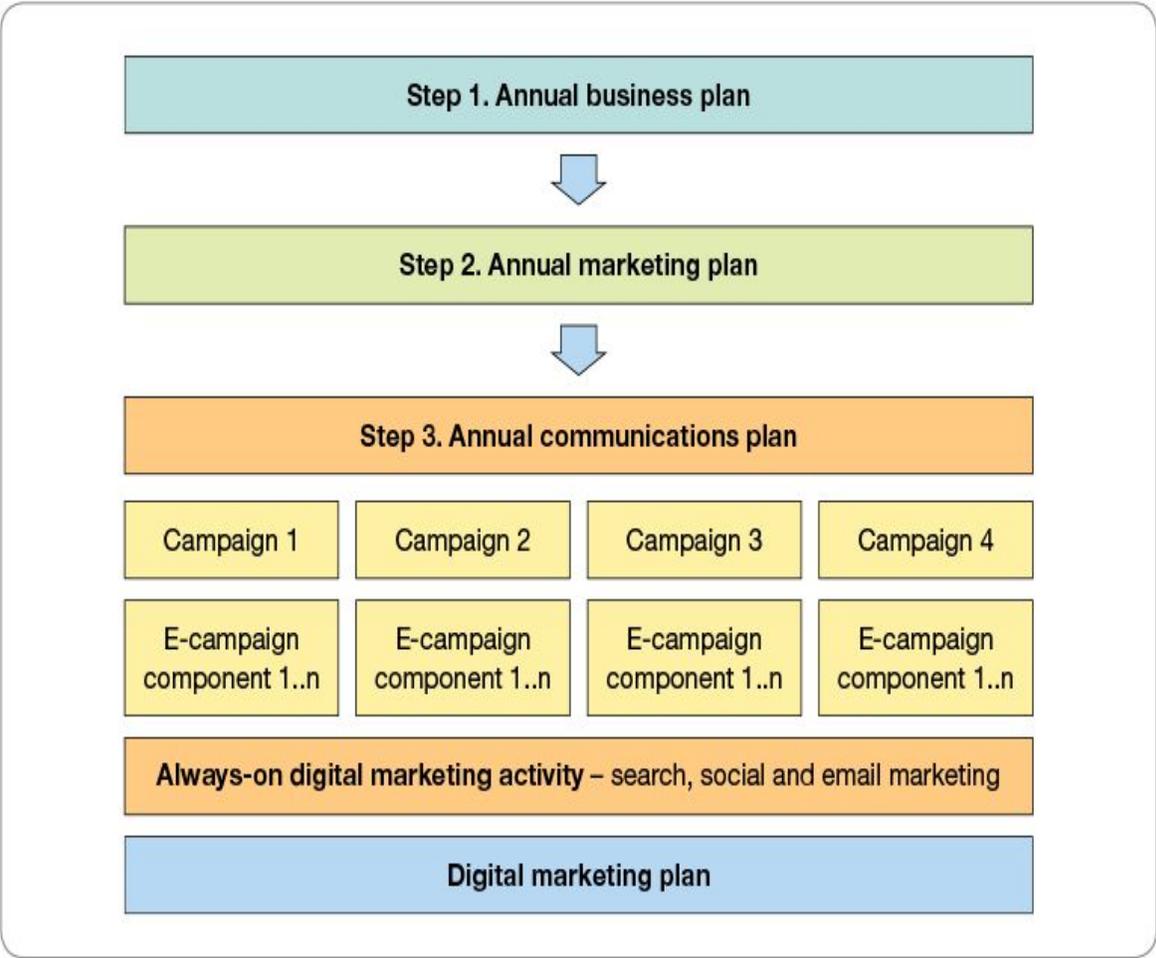


Table 4.2 Digital marketing planning failures and solutions

Potential failure or problem	Potential solution
------------------------------	--------------------

Underestimated customer demand for online services	Research demand, set objectives, allocate sufficient resources
Intense competition from existing and new market entrants who may spark digital disruption in sector through new business or revenue models	Analyse the market, especially the intensity of rivalry, anticipate competitive responses, plan a clear market entry strategy or potential changes to business and revenue models
Duplication of resources	Improve internal communications to avoid different parts of the marketing organisation purchasing different tools or different agencies for performing similar online marketing tasks
Insufficient resources and capabilities	Ensure budget and specific specialist digital skills are available to support the strategic initiatives including ‘always-on’ activities to continuously engage audiences using search, social and email marketing
Relevant customer data not collected or utilised	Research to ensure best possible knowledge of target customers; integrate customer data into existing systems
Lack of control	Measure and analyse regularly to take corrective action to ensure achievement of objectives
Lack of senior management support	Ensure support for a long-term digital transformation plan as this will be needed to drive major strategic initiatives

Activity 4.1: Benefits of digital marketing planning

Business commentators suggest that to survive it is vital to have a ‘strong digital footprint’ (Forbes, 2014). Furthermore, without a digital marketing strategy, new business, brand exposure and revenues can all be significantly affected, particularly since new entrants may encourage digital disruption within a sector.

Purpose

To consider the benefits and barriers to the adoption of digital marketing planning.

Task

Imagine you are a marketing manager responsible for the development of your organisation's digital marketing strategy. Using an organisation you are familiar with, outline the barriers and potential benefits of digital marketing planning.

How to structure a digital marketing strategy

Michael Porter (2001) suggested the Internet has heightened the importance of strategy, but he encouraged business to be cautious and suggested where businesses should focus when developing their strategy. He suggested six principles that could help to sustain a distinctive strategic position:

1. Start with the *right goal*, which is grounded in real economic value.
2. Define a *value proposition*, which is unique but, importantly, deliverable.
3. Do things differently; create a *distinctive value chain*.
4. Be prepared to make *trade-offs*, tailoring a firm's activities to outperform rivals.
5. Create a *fit* between what the company does, where it wants to be and the resources available.
6. Establish *continuity*. Planning decisions follow the distinctive position set out by the original goals.

These principles remain fundamental to how to define value through a digital marketing strategy. More recently, he has recommended that innovative technologies are forcing companies increasingly to ask the question '*what business am I in?*' (Porter and Heppelmann, 2014) as competition intensifies due to increased data processing power and almost universal connectivity. The other aspect of a digital marketing strategy that Porter didn't consider since it is more tactical, is how to improve digital marketing communications capabilities. This requires prioritisation of activities, such as those explored in [Part 3](#), to improve reach, customer experience, conversion and retention.

Marketing planning and strategy comprises a complex and resource-intensive set of processes that can deliver great rewards if fully embraced (Jobber and Ellis-Chadwick, 2016). A [strategy process model](#) provides a framework that gives a logical sequence to follow to ensure inclusion of all key activities of strategy development and implementation. In a marketing context, these strategy

development and implementation activities are coordinated through a marketing plan, and the process of creating this is known as **marketing planning**. McDonald (2003) defined marketing planning simply as:

Strategy process model

A framework for approaching strategy development.

Marketing planning

A logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

the planned application of marketing resources to achieve marketing objectives ... Marketing planning is simply a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

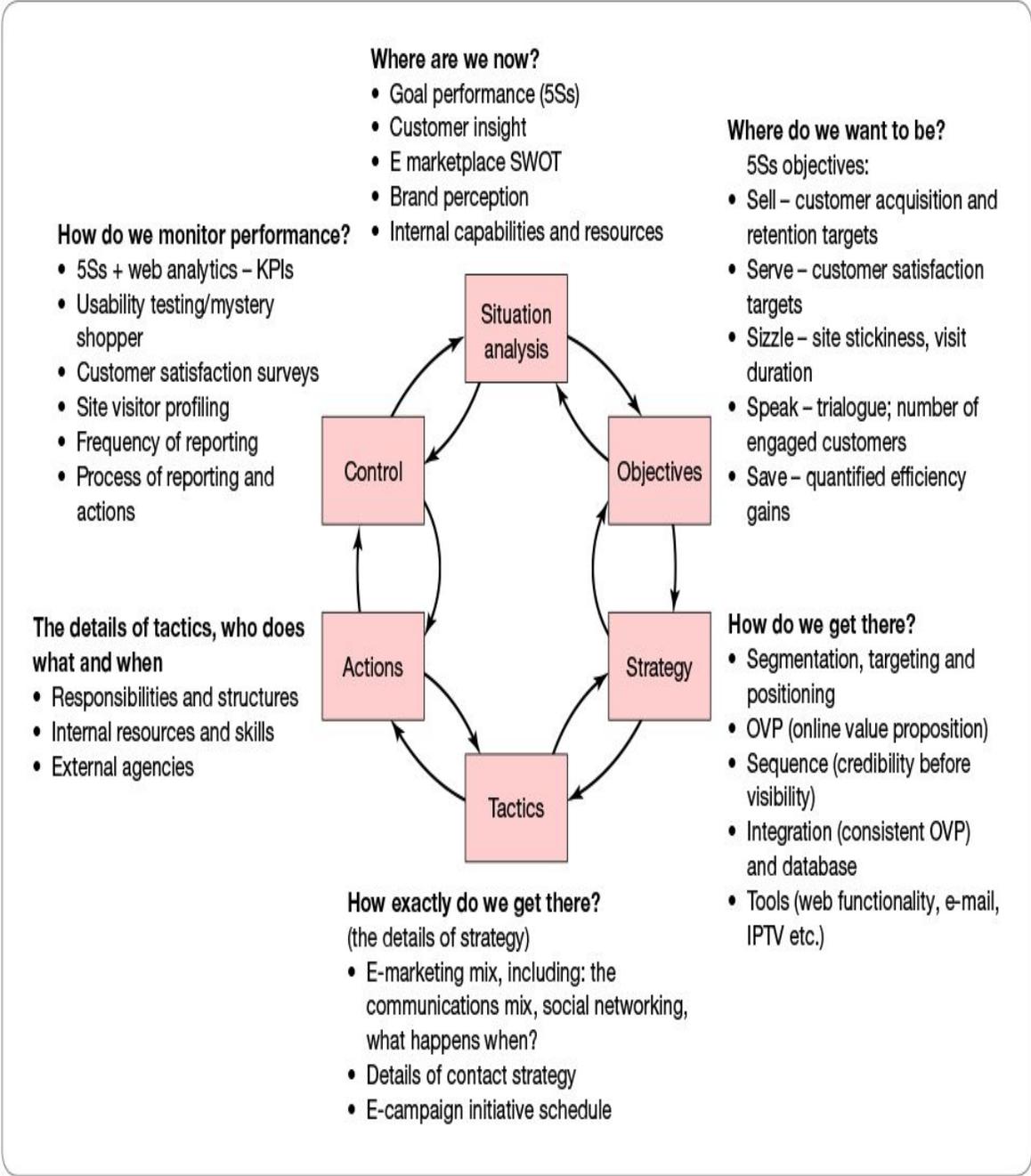
McDonald (2003) distinguished between strategic marketing plans that cover a period beyond the next financial year (typically three to five years) and tactical marketing plans that cover detailed actions over a shorter time period of one year or less, and this is equally applicable to digital marketing planning. In a similar way, we suggest that a strategic digital marketing plan, often known in large companies as a digital transformation plan, should place emphasis on four areas:

1. Identification of changes to competitive forces in the micro-environment and macro-environment that will influence customer demand for online experiences and products.
2. Developing value propositions for customers using online services as part of their buying process.
3. Definition of the technology infrastructure and information architecture to deliver these value propositions as a customer experience.
4. Changes to governance of marketing activities affecting the structure, skills and systems or processes in an organisation.

Having a long-term *roadmap* to guide digital transformation activities for 18 months to three years may be needed given the scale of changes to structure, skills and technology suggested by [Figure 4.1](#). Equally, it is important to consider that digital environments are highly dynamic, and operational plans should aim to promote strategic agility, so shorter-term flexibility needs to be built into the

process. Outram (2015) argues for a 90-day planning approach where communications strategy performance is reviewed.

Figure 4.5 The SOSTAC® planning framework applied to digital marketing strategy development



Source: Chaffey and Smith (2012)

Figure 4.5 shows an overall strategy process model for developing a digital marketing strategy recommended by Chaffey and Smith (2012). PR Smith's SOSTAC® Planning framework (explained at www.prsmith.org) stands for Situation, Objectives and Strategy, Tactics, Action and Control. Chaffey and Smith (2012) note that each stage is not discrete; rather there is some overlap during each stage of planning – previous stages may be revisited and refined, as indicated by the reverse arrows in Figure 4.5. The elements of SOSTAC® planning in the context of how they are described in this text with respect to digital marketing strategy are:

1. *Situation analysis means 'where are we now?'*. Planning activities involved at this stage include performing an Internet-specific SWOT analysis, and reviewing the different aspects of the micro-environment (Chapter 2) including customers, competitors and intermediaries. Situation analysis also involves review of the macro-environment (Chapter 3).
2. *Objectives means 'where do we want to be?'*. This can include a vision for digital channels, and also specific numerical objectives for the digital channels such as projections of sales volumes and cost savings (see Chapter 9).
3. *Strategy means 'how do we get there?'*. Strategy summarises how to achieve the objectives for the different decision points explained in this chapter, including segmentation, targeting, proposition development, including the elements of the marketing mix (described in more detail in Chapter 5) and CRM (described in Chapter 6).
4. *Tactics defines the usage of tactical digital communications tools*. This includes specific details of the marketing mix (Chapter 5), CRM (Chapter 6), experience (Chapter 7) and digital communications (Chapters 8 and 9).
5. *Actions refers to action plans, change management and project management skills*. We refer to some of the issues of modifications to organisational roles and structures later in this chapter.
6. *Control looks at the use of management information* including web analytics to assess whether strategic and tactical objectives are achieved and how improvements can be made to enhance results further. This is closely related to goal setting as described in this chapter (and in Chapter 8), and also the coverage of web analytics and tracking (in Chapter 10).

We will now look at each of the steps involved in strategy development.

Arguably, due to the speed of development of digital technologies, there is a need for a more responsive, more agile approach to strategy planning (as discussed at

the start of [Chapter 3](#)). Rather than a top-down, **prescriptive strategy** development approach, similar to Figures [4.1](#), [4.4](#) and [4.5](#), a more agile, **emergent strategy** approach is required, where strategic analysis, strategic development and strategy implementation are interrelated. In reality, most organisational strategy development and planning processes have elements of prescriptive and emergent strategy reflecting different planning and strategic review timescales. The prescriptive elements are the structured annual or six-monthly budgeting process or a longer-term three-year rolling marketing planning process. But on a shorter timescale, organisations naturally also need an emergent process to enable strategic agility and the ability to rapidly respond to marketplace dynamics.

Prescriptive strategy

The three core areas of strategic analysis, strategic development and strategy implementation are linked together sequentially.

Emergent strategy

Strategic analysis, strategic development and strategy implementation are interrelated and are developed together in a more agile fashion.

Situation analysis

The **situation analysis** in classic marketing planning is an audit of current effectiveness of a firm's activities. We reviewed issues to consider in a digital marketing audit in [Chapter 2](#). The analysis involves a review of internal and external factors (for example, the marketing environment) that have implications for strategy development. More specifically, situation analysis involves:

- Assessment of internal capabilities, resources and processes of the company and a review of its activity in the marketplace. Consideration of the immediate competitive environment (micro-environment) including customer demand and behaviour, competitor activity, marketplace structure and relationships with suppliers and partners. (Micro-environment factors were reviewed in [Chapter 2](#).)
- Investigation of the wider environment in which a company operates, including economic development, government regulations, legal issues and

taxation, social and ethical issues, e.g. data protection and consumer privacy. (Macro-environment factors were reviewed in [Chapter 3.](#))

Situation analysis

Collection and review of information about an organisation's internal processes and resources and external marketplace factors in order to inform strategy definition.

Figure 4.6 A digital marketing capability model

Digital Capacity	ONE. Initial	TWO. Managed	THREE. Defined	FOUR. Quantified	FIVE. Optimized
A. Strategic Approach	No strategy	Prioritised marketing activities	Defined vision and strategy	Business-aligned strategy and roadmap	Agile strategic approach
B. Performance Improvement Process	No KPIs	Volume-based KPIs No dashboards	Quality-based KPIs 'Last click' attribution Business dashboards	Value-based KPIs Weighted attribution Ad hoc CRO	Lifetime-value KPIs Continuous CRO
C. Management Buy-in	Limited	Verbal support, but inadequate resourcing	Sponsorship and increased investment	Active championing and appropriate investment	Integral part of strategy development
D. Resourcing and Structure	No specific skills	Core skills centralised or agencies	Centralised hub and spoke Dedicated resources	Decentralisation and reskilling	Balanced blend of marketing skills
E. Data and Infrastructure	Limited / no customer database	Separate data, tools and IT services	Partially integrated systems and data	Integrated CRM systems and 360° data sources	Flexible approach to optimise resources
F. Integrated Customer Communications	Not integrated	Core push activities synchronised	Integrated inbound approach	Integrated, personalised, Paid-Owned-Earned media	Media optimised for ROI and to maximize CLV
G. Integrated Customer Experience	Website not integrated	Desktop and mobile support, not personalised	Partially personalised desktop and mobile experience	Integrated, personalised, web, mobile, email and social media	Full contextual personalised experiences and recommendations
	'Laggard'	'Developing capability'	'Competent average capability'	'Above-sector average capability'	'Market leading capability'

Source: Smart Insights (<http://bit.ly/smartbenchmarking>)

Dave Chaffey, writing for Smart Insights, has developed a modern stage-model framework for assessing internal digital marketing capabilities in larger organisations ([Figure 4.6](#)). This was inspired by the capability maturity models devised by the Carnegie Mellon Software Engineering Institute

(www.sei.cmu.edu) to help organisations improve their software development practices.

Now complete [Activity 4.2](#), which illustrates the type of analysis needed for a digital marketing situation analysis.

Activity 4.2: Situation analysis for an e-commerce operation

Purpose

To consider which elements of a situation analysis could help to avoid digital strategy failures (see [Table 4.2](#)).

Activity

1. Imagine you are a newly appointed digital marketing manager and you have been asked to present your views on how the company can improve its use of digital channels. Select an existing company to focus on and give context to this activity.
2. Map out how the company is currently using digital channels.
3. Make recommendations for how the company can increase and expand its use of digital channels.
4. Review the potential failure points in [Table 4.2](#) to ensure that your answer to 3 does not expose the company to the risk of failure.

Internal audit for digital marketing

An internal audit involves reviewing the current contribution of the digital marketing activities within an the organisation. More specifically, this consists of assessing effectiveness, performance measurement and reviewing web analytics. There are different levels to consider:

- **Business effectiveness.** Financial or commercial contribution from digital channels, including online leads, sales and profit and offline-influenced leads and sales and how well it is supporting business objectives. The relative costs of developing and maintaining digital experiences and communications will also be reviewed as part of a cost–benefit analysis.
- **Marketing effectiveness.** Review leads (qualified enquiries); sales; customer retention, satisfaction and loyalty, including lifetime value; online market (or audience share); brand enhancement; customer service. For large

organisations, these measures can be assessed for each of the different markets a company operates in or for product lines produced on the website.

- **Digital marketing effectiveness.** Specific measures are digital media against the volume, quality, value and cost (VQVC is explained in more depth later in this chapter) of visits to the website, mobile and social platforms covered. Evaluation also involves reviewing audience profile, experience and customer satisfaction.

According to Chaffey and Smith (2012), key performance indicators (KPIs) for an online presence include:

- **unique visitors:** the number of separate, individual visitors to the site;
- **total numbers:** of sessions or visits to the website;
- **repeat visits:** average number of visits per individual;
- **duration:** average length of time visitors spend on the site;
- **conversion rates:** the percentage of visitors converting to subscribers (or becoming customers);
- **attrition rates:** through the online buying process;
- **churn rates:** percentage of subscribers lapsing or unsubscribing.

Customer research

Research into customers should not be restricted to quantitative demand analysis. Varianini and Vaturi (2000) point out that qualitative research about existing customers provides insights that can be used to inform strategy. Research suggests that using user profiling to capture the core characteristics of target customers involves more than using demographics. It also includes customer needs, attitudes experiences and abilities of using digital technologies and the Internet (Doherty and Ellis-Chadwick, 2010). A customer's profile can strongly influence where, when and how they engage with digital channels and also has important digital marketing implications. See [Digital marketing insight 4.3](#) about consumer profiles and digital targeting options.

Resource analysis

Resource analysis involves assessing the capabilities of the organisation to deliver its digital services. Resource analysis should include:

- **Financial resources.** The cost components of running an online presence, including site development, promotion and maintenance. Mismatch between current spend and required spend to achieve visibility within the online

marketplace should be reviewed using tools such as Hitwise and Netratings, which can be used to assess online market share.

- **Technology infrastructure resources.** Availability and performance (speed) of website and service-level agreements with the ISP. The need for different applications to enhance the customer experience or increase conversion rates can be assessed (e.g. on-site search, customer review or customisation facilities). The infrastructure to manage sites such as content management, customer relationship management and web analytics should also be considered.
- **Data and insight resources.** The quality of data and tools to analyse the performance of digital channels and consumer characteristics and behaviour including multichannel attribution to decide on the impact and effectiveness of different digital media channels and touchpoints.
- **Human resources.** Availability for an e-retailer includes service and fulfilment resources for answering customer queries and dispatching goods. For all companies there is a challenge of possibly recruiting new staff or re-skilling marketing staff to manage online marketing activities such as merchandising, search engine marketing, affiliate marketing and email marketing. *Structure* – what are the responsibilities and control mechanisms used to coordinate Internet marketing across different departments and business units?
- **Strengths and weaknesses.** SWOT analysis is referred to in the next section, where generic strengths and weaknesses are summarised in [Figure 4.8](#). Companies will also assess their distinctive competencies.

Resource analysis

Review of the technological, financial and human resources of an organisation and how they are utilised in business processes.

Digital marketing insight 4.3: Consumer profiles

We can break consumers' profile data down into two distinct sub-categories: classification variables and character variables.

Classification variables are those personal attributes that tend to remain static throughout an individual's lifetime or evolve slowly over time. These variables are particularly useful for marketers as they can help to *identify* particular consumers and target groups. According to Jobber and Ellis-Chadwick (2016), profile segmentation variables can be used to group consumers together in a meaningful way so they can be reached by suitable media

communications. See [Table 4.3](#) for a list of classification variables and possible implications for online target marketing.

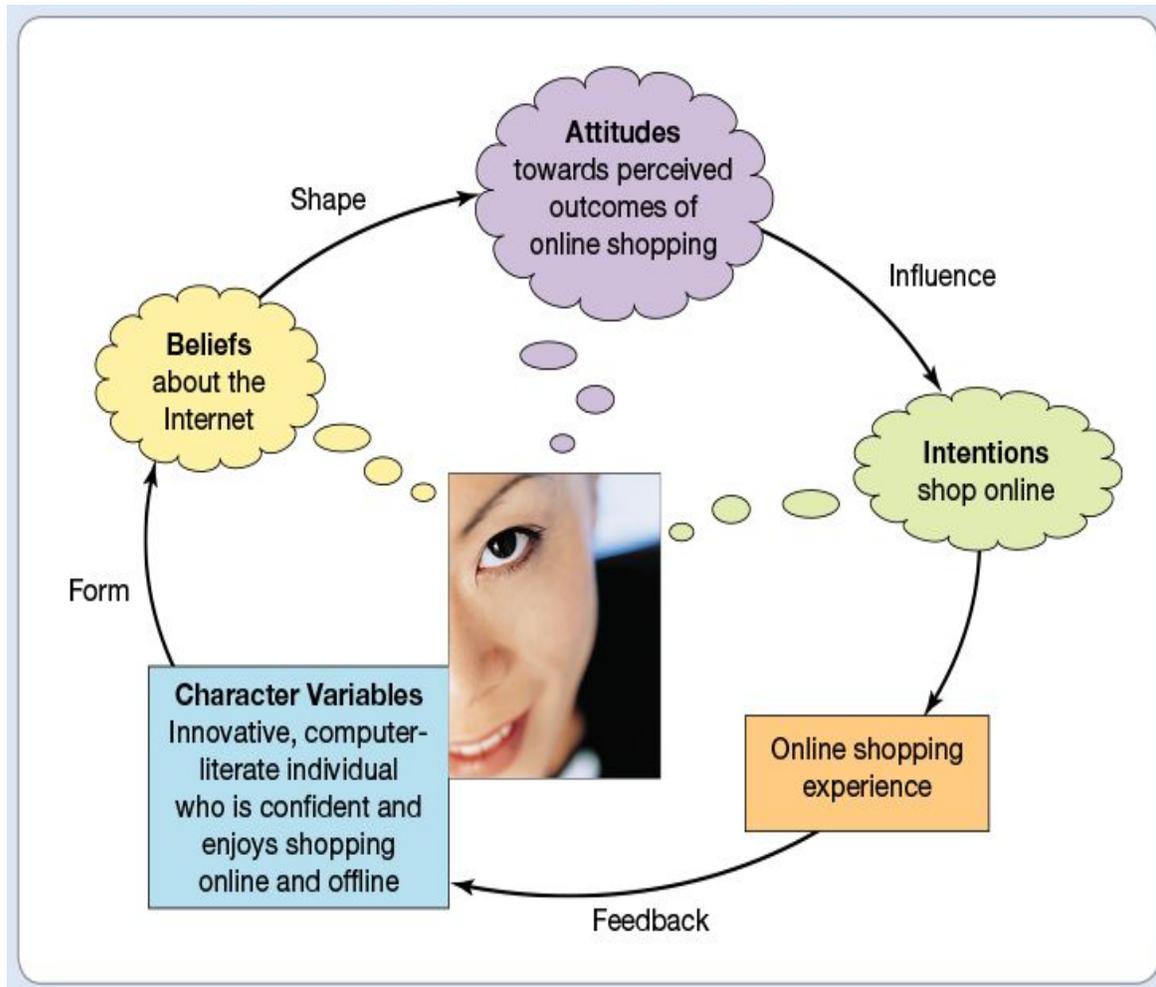
Table 4.3 Consumer profile: classification variables

Profile variable	Online marketing impact
Age	Age can affect levels of access to technology, computer literacy and use of digital channels. Targeting by age is available in Facebook.
Education and literacy	Influences how digital channels are used, e.g. university students find it is not only useful for shopping but indispensable to support their studies. Targeting also possible in Facebook.
Employment status	Employment places time constraints on online shopping behaviour, i.e. when and where individuals can access online shopping channels.
Gender	Originally, male consumers made more purchases and bought higher ticket items online than females. Now there is a greater balance and higher penetration of use across populations.
Geography	Location is an important consideration: where people live can affect the potential size of the online market. Populations in rural and remote locations are increasingly turning to online for their purchasing needs. Geo-targeting available in all social networks and ad-networks.
Household size	Household size has the potential to affect the number of people involved in purchasing decisions and the direction of influence. For example, research has shown that in Europe teenagers can have a strong influence on purchasing based on their levels of computing competency.
Household type	Household type has the potential to affect product and service requirements; major shifts towards single-person households have led to a shift in purchasing patterns and times of purchasing. Online, such households can create logistical difficulties when delivering bulky and perishable goods.
Income	Income affects purchasing power and also influences whether individuals have access to the Internet. In the UK, AB, C1 and C2 socio-economic groups are significantly more likely to have access to the Internet and to subsequently shop online than groupings D and E. Income is positively related to a tendency to shop online. Main retailers use value-based targeting based on past and future predictions of spend.
Mobility	Mobility affects channel access; less mobile targets may be encouraged to shop online. This also applies to macro-populations, which are poorly served by public and private transport.
Race and	Race and ethnicity affects access to technology and

ethnicity

economic circumstances. In the US, the number of African Americans with Internet access is increasing to over 50 per cent but this sector of the population still lags behind the Caucasians and Hispanics.

Figure 4.7 Character variables, beliefs, attitudes and shopping intentions



Character variables are less straightforward to understand and identify for marketing purposes as they comprise any attributes of a consumer's perceptions, beliefs and attitudes, that might influence online behaviour, e.g. innovativeness, enjoyment, skills and experience and emotions. Character variables are also more likely to develop, change and be significantly modified over time by online shopping experiences than classification variables. For example, if a consumer has negative beliefs about, say, privacy and security of online transactions, which are due to *lack of computer skills*, these *beliefs* are likely to shape negative *attitudes* towards the Internet and reduce the *intention* to shop online. Conversely, if a consumer *believes* the Internet is, say, *easy to use*, they are more likely to have a positive *attitude* towards the idea of online shopping and ultimately have an increased *intention* to shop online. Each stance may be continually reinforced by positive or negative feedback from online shopping experiences. See [Figure 4.7](#) for a model of how character variables interact.

Digital channels also provide good insight on consumer behaviour, such as the content they consume, which can be used to deliver personalised messages on a website and in emails.

Competitor analysis

In [Chapter 2](#) we showed that competitor analysis or the monitoring of competitor use of digital marketing and e-commerce to acquire and retain customers is especially important in the dynamic online marketplace. This enables new services to be launched, media investments changed and prices and promotions changed much more rapidly than through print communications. Benchmarking is intended to:

1. review current approaches to digital marketing to identify areas for improvement;
2. benchmark with competitors who are in the same market sector or industry and in different sectors;
3. identify best practice from more advanced adopters;
4. set targets and develop strategies for improving capabilities.

Intermediary analysis

Situation analysis will also involve identifying relevant intermediaries for a particular marketplace and looking at how the organisation and its competitors are using the intermediaries to build traffic and provide services. For example, an online retailer should assess where its target customers might encounter their competitors, or know whether competitors have any special sponsorship arrangements or microsites created with intermediaries. Another aspect to consider is the way in which the marketplace is operating: to what extent are competitors using disintermediation or reintermediation? How are existing channel arrangements being changed? There are now many freemium online services available to companies to understand their effectiveness in attracting and retaining new customers and competitors and intermediaries (see [Chapter 2](#) for further discussion).

Assessing opportunities and threats

A SWOT analysis is a useful way to summarise the external opportunities and threats and is a core activity for situation analysis. The results of a digital channel-specific SWOT analysis (internal Strengths and Weaknesses and external Opportunities and Threats) should clearly highlight where actions should be taken (both short and longer term). A digital strategy should plan to counter the threats and take advantage of the opportunities. [Figure 4.8](#) shows a generic application of SWOT. The SWOT should review the main areas of digital marketing activity: customer acquisition, conversion, retention and growth.

Figure 4.8 A generic digital channel-specific SWOT analysis showing typical opportunities and threats presented by digital media

The organisation	Strengths – S 1. Existing brand 2. Existing customer base 3. Existing distribution	Weaknesses – W 1. Brand perception 2. Intermediary use 3. Technology/skills 4. Cross-channel support
Opportunities – O 1. Cross-selling 2. New markets 3. New services 4. Alliances/co-branding	SO strategies Leverage strengths to maximise opportunities = Attacking strategy	WO strategies Counter weaknesses through exploiting opportunities = Build strengths for attacking strategy
Threats – T 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	ST strategies Leverage strengths to minimise threats = Defensive strategy	WT strategies Counter weaknesses and threats = Build strengths for defensive strategy

Figure 4.9 An example of a digital channel-specific SWOT for an established multichannel brand showing how the elements of SWOT can be related to strategy formulation

<p>The organisation</p>	<p>Strengths – S</p> <ol style="list-style-type: none"> 1 Existing brand 2 Existing customer base 3 Existing distribution 	<p>Weaknesses – W</p> <ol style="list-style-type: none"> 1 Brand perception 2 Intermediary use 3 Technology/skills (poor web experience) 4 Cross-channel support 5 Churn rate
<p>Opportunities – O</p> <ol style="list-style-type: none"> 1 Cross-selling 2 New markets 3 New services 4 Alliances/co-branding 	<p>SO strategies</p> <p>Leverage strengths to maximise opportunities = attacking strategy</p> <p>Examples:</p> <ol style="list-style-type: none"> 1 Migrate customers to web strategy 2 Refine customer contact strategy across customer lifecycle or commitment segmentation (email, web) 3 Partnership strategy (co-branding, linking) 4 Launch new web-based products or value-adding experiences, e.g. video streaming 	<p>WO strategies</p> <p>Counter weaknesses through exploiting opportunities = build strengths for attacking strategy</p> <p>Examples:</p> <ol style="list-style-type: none"> 1 Countermediation strategy (create or acquire) 2 Search marketing acquisition strategy 3 Affiliate-based acquisition strategy 4 Refine customer contact strategy (email, web)
<p>Threats – T</p> <ol style="list-style-type: none"> 1 Customer choice (price) 2 New entrants 3 New competitive products 4 Channel conflicts 5 Social network 	<p>ST strategies</p> <p>Leverage strengths to minimise threat = defensive strategy</p> <p>Examples:</p> <ol style="list-style-type: none"> 1 Introduce new Internet-only products 2 Add value to web services – refine OVP 3 Partner with complementary brand 4 Create own social network/customer reviews 	<p>WT strategies</p> <p>Counter weaknesses and threats: = build strengths for defensive strategy</p> <p>Examples:</p> <ol style="list-style-type: none"> 1 Differential online pricing strategy 2 Acquire/create pureplay company with lower costbase 3 Customer engagement strategy to increase conversion, average order value and lifetime value 4 Online reputation management strategy/E-PR

This ‘TOWS’ is a different formulation of presentation of the digital channel-specific SWOT shown in [Figure 4.8](#) and is a powerful technique since it not only indicates the *current* SWOT, but can be used to generate relevant *future* strategies. Often, the most rewarding strategies combine Strengths and Opportunities or counter Threats through Strengths. [Figure 4.9](#) gives an example of typical digital SWOT analytics for an established multichannel brand.

Setting goals and objectives for digital marketing

Any marketing strategy should be based on clearly defined corporate objectives, and digital marketing should be an integrated element not considered separately from other business and marketing objectives. Porter (2001) criticised the lack of goal setting when many organisations have developed Internet-related strategies. He noted that many companies, responding to distorted market signals, have used ‘rampant experimentation’ that is not economically sustainable. He suggests that economic value or sustained profitability for a company is the final arbiter of business success. We have found that goals and objectives are often defined and used differently within different companies or parts of a business and this can lead to confusion when creating processes to track and improve marketing performance. Typically, in businesses you see that objectives are specific, they cover the SMART criteria that ensure specific targets for a time period and measure against these using sales or analytics systems. Goals are broader aims that are informed by a vision.

When defining objectives and goals you should use clear definitions. For digital marketing you can define different types of performance targets and measures, as shown in [Figure 4.10](#):

1. **Vision.** A high-level statement of how digital marketing will contribute to the organisation.
2. **Goals.** These are the are broad aims to show how the business can benefit from digital channels. They describe how your digital marketing will contribute to the business in key areas of growing sales, communicating with your audience and saving money.
3. **Objectives.** Specific SMART objectives to give clear direction and commercial targets. Objectives are the SMART targets for digital marketing, which can be used to track performance against target.
4. **KPIs.** Key performance indicators (KPIs) are used to check you are on track. KPIs are specific metrics that are used to track performance to make

sure you are on track to meet specific objectives. They are sometimes known as performance drivers or critical success factors for this reason.

5. **Metrics and measures.** Other measures that may be referenced, but aren't typically used in high-level reporting.

As a starting point for setting specific objectives, it is useful to think through the benefits of using digital channels and how these can be converted into specific objectives. Also identifying both *tangible benefits* (e.g., monetary savings or revenues), which are fairly straightforward to identify, and also *intangible benefits* (e.g. customer service quality), which can be difficult to identify but can be fundamental to the overall customer experience. [Table 4.4](#) presents a summary of typical benefits of digital marketing.

Figure 4.10 The relationship between vision, goals, objectives and KPIs

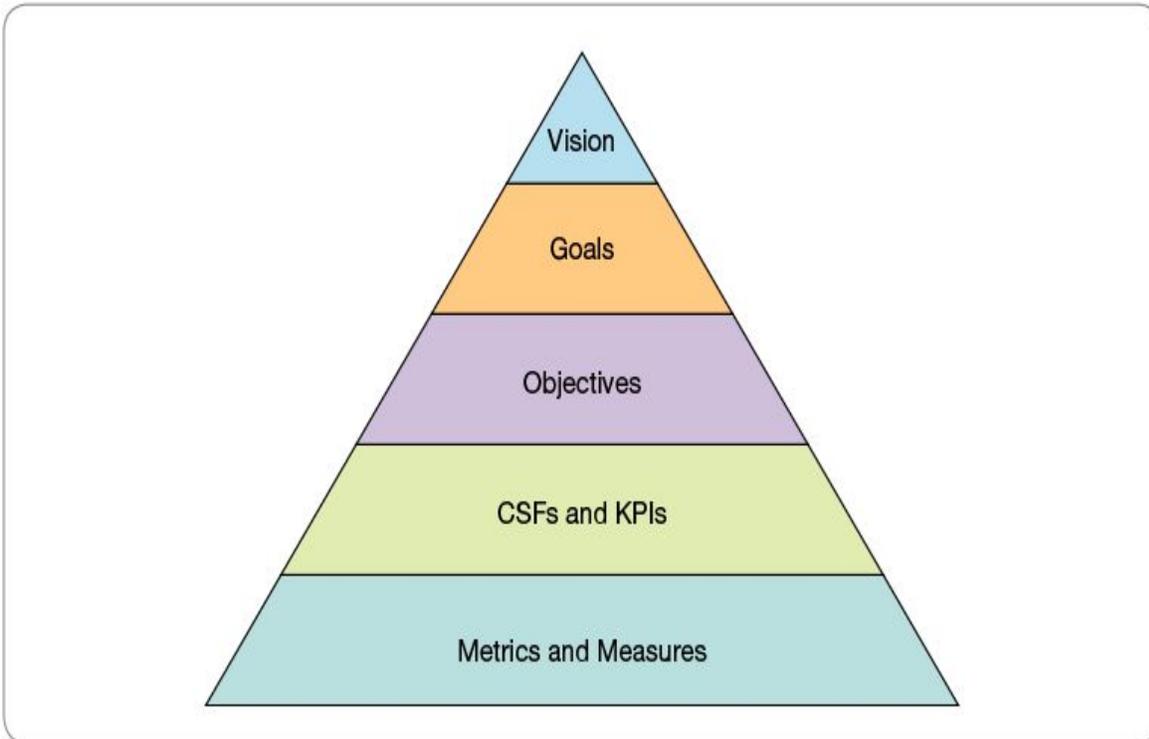


Table 4.4 Tangible and intangible benefits from Internet marketing

Tangible benefits	Intangible benefits
<p>Increased sales from new sales leads giving:</p> <ul style="list-style-type: none"> • New customers, new markets • Existing customers (repeat-selling) 	<p>Corporate image communication rise due to increased revenue from:</p> <ul style="list-style-type: none"> • Enhanced brand • More rapid, more responsive

<ul style="list-style-type: none"> • Existing customers (cross-selling) <p>Cost reductions from:</p> <ul style="list-style-type: none"> • Reduced time in customer service (customer self-service online) • Online sales • Reduced printing and distribution costs of marketing communications 	<p>marketing communications including PR</p> <ul style="list-style-type: none"> • Improved customer service • Learning for the future • Meeting customer expectations to have a website • Identifying new partners, supporting existing partners better • Better management of marketing information and customer information • Feedback from customers on products
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The online revenue contribution

A key objective for digital marketing is the **online revenue contribution** since this gives a simple measure of the proportion of online sales achieved in different product categories. This is a measure of the extent to which a company's online presence directly impacts on the sales revenue (or better profit) of the organisation. By understanding this contribution, business planners should be able to determine future resource allocation to online channels. These objectives can be specified for different types of products, customer segments and geographic markets. For example, traditional high-street food and fashion retailer Marks and Spencer™ has over 8 million online visitors per week and reported online revenue from generic search engines to be just under 30 per cent (M&S, 2017). But online fashion retailer ASOS is eating into M&S's market share, so this brand should consider increasing its investment in resources to boost its online revenue contribution (see [Case study 4](#) for further discussion).

Online revenue contribution

An assessment of the direct contribution of the Internet or other digital media to sales, usually expressed as a percentage of overall sales revenue.

It is important that companies set sales and revenue goals for online channels for which costs are controlled through an **allowable cost per acquisition**. This takes into account the cost of attracting visitors through techniques such as affiliate

marketing, paid search advertising or display advertising, as explained in budget models presented in [Chapter 8](#).

Allowable cost per acquisition

A target maximum cost for generating leads or new customers profitably.

For some companies (e.g. FMCG manufacturer of multiple brands Unilever), it is unrealistic to expect a significant direct online revenue contribution. In this case, an indirect online contribution can be stated. This considers the Internet as part of the promotional mix and its role in reaching and influencing a proportion of customers to purchase the product, generating trials or, in the case of a B2B company, leads. A company could set an **online promotion contribution** or indirect online revenue contribution of 5 per cent of its target market visiting the website or social media presence and interacting with the brand (see [Digital marketing insight 4.4](#) about how Black Friday boosts sales).

Online promotion contribution

This is an assessment of the proportion of customers (new or retained) who are influenced and reached by online communications.

Setting SMART objectives

SMART is an easy-to-recall acronym that is used to assess the suitability of objectives. SMART stands for:

- **Specific.** Is the objective sufficiently detailed to measure real-world problems and opportunities?
- **Measurable.** Can a quantitative or qualitative attribute be applied to create a metric?
- **Actionable.** Can the information be used to improve performance? If the objective doesn't change behaviour in staff to help them improve performance, there is little point in it!
- **Relevant.** Can the information be applied to the specific problem faced by the manager?
- **Time-related.** Can the information be constrained through time?

Digital marketing insight 4.4: Black Friday, boost sales

The moniker 'Black Friday' is attributed to the Philadelphia Police Department in the 1950s, which gave this name to the day after Thanksgiving due to the mayhem that happened as shoppers flocked to the high-street sales. Hearsay evidence suggests the name Black Friday was used as increased sales enabled retailers to go into the 'black' with their accounts for the first time in the year and to generate profits. It wasn't until 2010 that Amazon brought Black Friday to the attention of online shoppers in the UK. Since then this promotional discount day has gathered momentum and led to frenzied scenes in stores across the UK as shoppers fight one another to get at the best bargains. Awareness of this promotional event has been online but it has quickly spread to the physical high street and this event was initially cited as affecting Christmas sales figures in a negative way in the UK. The Office for National Statistics reported that events such as Black Friday promotions are bringing forward Christmas purchasing into November.

Source: Based on Butler (2015); Rees (2018); ONS (2017)

With SMART objectives, everyone is clearer what the target is and progresses towards it and, if necessary, action can be taken to put the company back on target. For SMART digital marketing objectives for an online presence such as a website or mobile app it is important to measure traffic, value and cost. Applying the VQVC mnemonic is a technique used to test whether businesses are using the right types of goals and measures. VQVC stands for:

1 Volume measures (of traffic)

Digital analytics systems such as Google Analytics have specific measures for volume:

- **Unique visits.** The number of individuals who visit the site in the specified period.
- **Visits.** The total number of times the site was accessed by different individuals.
- **Page views.** The total number of pages viewed by individuals.

These measures can be used with objectives and to monitor performance against planning models.

2 Quality measures

To understand the effectiveness of the online experience, conversion measures assess the quality of the visitors and their experiences. These measures give an indication of how a visitor has engaged with a site and include:

- **Bounce rate.** Percentage of visitors who leave immediately after viewing only one page. A high bounce rate is a sign of poor-quality traffic and/or

experience.

- **Duration.** Dwell time, which is measured as average time on page or time on site.
- **Pages per visit.** Arguably more useful than dwell time since it shows how many pages a visitor views on average. Conversion rates to lead and sale are arguably the most important quality measure since they show what proportion of visits convert to commercial outcomes.

3 Value measures

Value shows the communications effectiveness and commercial contribution of digital marketing to a business. Here we're looking for outcomes that show intent to purchase or purchase itself. For an e-commerce site this is straightforward – we can look at measures such as sales transactions and average order value. However, it's less obvious for the many non-transactional sites, like B2B sites. Here it's necessary to set up goals customised for the business in Google Analytics for when user actions are completed for qualified leads. *Goal value per visit.* If you assign a value to a goal such as a download, you can then compare how different visitor sources contribute value to the site. For example, how does social media marketing compare to email, is LinkedIn more or less valuable than Twitter – this is very powerful for checking your marketing investments.

- **Revenue per visit.** For sites with e-commerce tracking, Google will report revenue per visit, which enables similar analysis to that of goal value.
- **Page value.** If marketers review this measure for pages they can determine which pages are prompting the creation of value, enabling you to improve customer journeys.

4 Cost measures

Cost includes the cost of content and experience creation and promotion – i.e. paid, owned and earned media costs. Cost per acquisition is typically used to assess media effectiveness.

Examples of SMART objectives across VQVC, including those to support goal setting in customer acquisition, conversion and retention categories for digital marketing strategy, are:

- **Digital channel contribution objective.** Achieve 10 per cent online revenue (or profit) contribution within two years.
- **Acquisition objective.** Acquire 50,000 new online customers this financial year at an average cost per acquisition (CPA) of £30 with an average

profitability of £5.

- **Acquisition or conversion objective.** Migrate 40 per cent of existing customers to using online ‘paperless’ bill payment services within three years (e.g. for a bank or utilities company).
- **Acquisition objective.** Increase by 20 per cent within one year the number of sales arising from a certain target market, e.g. 18–25 year-olds.
- **Conversion objective.** Increase the average order value of online sales to £42 per customer.
- **Conversion objective.** Increase site conversion rate to 3.2 per cent (would be based on model of new and existing customers in different categories).
- **Conversion objective.** Increase percentage of online service enquiries fulfilled online by ‘web self-service’ from 85 to 90 per cent.
- **Retention objective.** Increase annual repeat new customer conversion rate by 20 per cent.
- **Retention objective** (existing customers). Increase percentage of active users of the service (purchasing or using of other electronic services) within a 180-day period from 20 to 25 per cent.
- **Retention objective.** Increase customer satisfaction rating for channel from 70 to 80 per cent.
- **Growth objective.** Increase new prospects recommended by friends (viral marketing or ‘member get member’) by 10,000 per annum.
- **Cost objective.** Achieve a cost reduction of 10 per cent in marketing communications within two years.

Frameworks for objective setting

A significant challenge of objective setting for digital marketing is that there will potentially be many different measures, such as those listed above, and these will have to be grouped to be meaningful and presented on performance dashboards. In this chapter, we have already seen two methods of categorising objectives. First, objectives can be set at the level of business effectiveness, marketing effectiveness and Internet marketing effectiveness, as explained in the section on internal auditing as part of the situation analysis. Second, the 5S framework of Sell, Speak, Serve, Save and Sizzle provides a simple framework for objective setting.

Some larger companies will identify objectives for digital marketing initiatives that are consistent with existing business measurement frameworks, e.g. the **balanced scorecard**, but research has identified widespread variation in the use and level of uptake of performance measures (Gunawan *et al.*, 2008).

Nevertheless, the balanced business scorecard is a well-known and widely used framework and it can be helpful as a guide. This framework has been applied to IT (Der Zee and De Jong, 1999), e-commerce (Hasan and Tibbits, 2000) and multichannel marketing (Bazett *et al.*, 2005).

Balanced scorecard

A framework for setting and monitoring business performance. Metrics are structured according to customer issues, internal efficiency measures, financial measures and innovation.

Table 4.5 illustrates specific Internet marketing measures within the four main areas of organisational performance managed through the balanced scorecard. In our presentation we have placed objectives within the areas of **efficiency** ('doing the thing right') and **effectiveness** ('doing the right thing'). For example, *efficiency* involves increasing conversion rates and reducing costs of acquisition. *Effectiveness* involves supporting broader marketing objectives and often indicates the contribution of the online channel.

Efficiency

Minimising resources or time needed to complete a process. 'Doing the thing right.'

Effectiveness

Meeting process objectives, delivering the required outputs and outcomes. 'Doing the right thing.'

Performance drivers

Specific **performance metrics** are used to evaluate and improve the efficiency and effectiveness of a process. **Key performance indicators (KPIs)** are a special type of performance metric that indicate the overall performance of a process or its sub-processes. An example of KPIs for an online electrical goods retailer. Improving the results from the e-commerce site involves using the techniques on the left of the diagram to improve the performance drivers, and so the KPI. The KPI is the total online sales figure. For a traditional retailer, this could be compared as a percentage to other retail channels such as mail order or retail stores. It can be seen that this KPI is dependent on performance drivers such as number of site visits or average order value, which combine to govern this KPI.

Performance metrics

Measures that are used to evaluate and improve the efficiency and effectiveness of business processes.

Key performance indicators (KPIs)

Metrics used to assess the performance of a process and/or whether set goals are achieved.

Leading and lagging performance indicators

When developing goals and measurement systems used to review and improve performance of digital channels, it is also helpful to consider which are leading and lagging indicators of performance. Trends should be identified within these – e.g. are they increasing or decreasing year-on-year (often used as a good like-for-like comparison) – or compared to the previous week, month or average for a recent period?

Table 4.5 Example allocation of Internet marketing objectives within the balanced scorecard framework for a transactional e-commerce site

Balanced scorecard sector	Efficiency	Effectiveness
Financial results (business value)	Channel costs, channel profitability	Online contribution (direct) Online contribution (indirect) Profit contributed
Customer value	Online reach (unique visitors as% of potential visitors) Cost of acquisition or cost per sale (CPA/CPS) Customer propensity	Sales and sales per customer New customers Online market share Customer satisfaction ratings Customer loyalty index

Operational processes	Conversion rates Average order value List size and quality Email active (%)	Fulfilment times Support response times
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A **leading performance indicator** is a metric that is suggestive of future performance – think of the amber preceding the green light on traffic lights on a short timescale. The benefit of leading indicators is that they enable managers to be proactive in shaping future performance. There tend to be fewer leading performance indicators, but these can be applied to e-commerce:

- **Repeat sales metrics.** If repeat conversion rates are falling or the average time between sales (sales latency) is falling, then these are warning signs of future declining sales volume for which proactive action can be taken, e.g. through a customer email marketing programme.
- **Customer satisfaction or advocacy ratings such as the Net Promoter Score.** If these are trending downwards or return rates are increasing, this may be a sign of a future decline in repeat sales since more customers are dissatisfied.
- **Sales trends compared to market audience trends.** If, for example, online sales are increasing at a lower rate than overall online audiences for a product category are indicated, e.g. through panel data, hitwise or searches in particular categories, then this is a warning sign that needs to be acted upon.

Leading performance indicator

A measure that is suggestive of future performance and so can be used to take proactive action to shape future performance.

A **lagging performance indicator** is one where the measure indicates past performance. Lagging indicators enable corrective action to be taken. Some also identify a coincident performance indicator, which is more suggestive of current performance. Lagging performance indicators for a transactional retail site include:

- **Sales volume, revenue and profitability.** These are typically compared against target or previous periods.
- **Cost per acquisition (CPA).** The cost of gaining each new customer will also be compared against target. Variations in trends in CPA for different

referrers (traffic sources) and between different product categories can potentially be used as leading indicators.

- **Conversion efficiency metrics.** For an e-commerce site these include process efficiency metrics such as conversion rate, average order and landing page bounce rates.

Lagging performance indicator

A measure that indicates past performance. Corrective action can then be applied to improve performance.

These lagging indicators are used operationally on a daily or weekly basis so that performance can be diagnosed and reviewed.

Strategy formulation for digital marketing

Strategy formulation involves the identification of alternative strategies, a review of the merits of each of these options and then selecting the strategy that has the best fit with a company's trading environment, its internal resources and capabilities. Companies should be realistic about what their strategies can achieve and must base digital strategies on sound logic and thorough analysis.

Strategy formulation

Generation, review and selection of strategies to achieve strategic objectives.

Strategies are agreed to be most effective when they support specific business objectives (e.g. increasing the online contribution to revenue, or increasing the number of online sales enquiries). A useful technique to help align strategies and objectives is to present them together in a table, along with the insight developed from situation analysis that may have informed the strategy. [Table 4.6](#) shows how objectives, strategies and performance indicators can be mapped to produce this logical and connected flow of activity.

Here different digital marketing strategies are grouped according to whether they support customer acquisition, conversion or retention.

The key decisions for digital marketing are the same as strategic decisions for traditional marketing. They involve selecting target customer groups and

specifying how to deliver value to these groups. Segmentation, targeting, differentiation and positioning are all key to effective digital marketing.

The main thrust of digital marketing strategy development is taking the right decisions on the selective targeting of customer groups and different forms of value delivery for online channels. Digital marketing strategy is a channel marketing strategy and should:

- be based on objectives for online contribution of leads and sales for this channel;
- be consistent with the types of customers that use and can be effectively reached through the channel;
- support the customer journey as they select and purchase products using this channel in combination with other channels;
- define a unique, differential proposition for the channel;
- specify how this proposition is communicated to persuade customers to use online services in conjunction with other channels;
- manage the online customer lifecycle through the stages of attracting visitors to the website, converting them to customers and retention and growth;
- be consistent with the types of customers that use and can be effectively reached through the digital communications channels and targeted using **online tactical marketing segmentation**.

Online tactical marketing segmentation
 Tactical segmentation enables targeting based on customer journey behaviour such as search behaviour, content accessed and contribution to social media.

Table 4.6 An example of the relationship between objectives, strategies and performance indicators

Objectives	Substantiation (informed by situation analysis or insight, example)	Strategies to achieve goals	Key performance indicators (critical success factors)
1 Acquisition objective Acquire 50,000	Based on growth forecast 40,000 sales	Start affiliate marketing programme and	Overall CPA for online sales Incremental number and % of sales from

<p>new online (based on current sales) customers this financial year at an average cost per acquisition (CPA) of £30 with an average profitability of 5%</p>	<p>per year, but with incremental sales arising from new affiliate programme and SEO development</p>	<p>improve SEO. Existing media mix based on pay-per-click and display advertising supported by offline media. Use social media engagement to generate leads</p>	<p>affiliate marketing programme Number of strategic keywords ranked in top positions in natural search results page</p>
<p>2 Acquisition (or conversion) objective Migrate 40% of existing customers to using online 'paperless' bill payment services and email communications within three years</p>	<p>Extrapolation of current natural migration coupled with increased adoption from offline direct marketing campaign</p>	<p>Direct marketing campaign using direct mail, phone prompts and online persuasion to encourage adoption. Use of incentive to encourage change</p>	<p>Number and % of existing customers registering to use online service Number and % of customers actively using online services at different points after initially registering</p>
<p>3 Conversion objective Increase the average order value of online sales to £42 per customer</p>	<p>Growth estimate based on current AOV of £35 plus model suggesting 20% increase in AOV</p>	<p>Use of new merchandising system to show users related 'next best product' for different product categories</p>	<p>% of site visitors responding to merchandising/crossselling messages</p>
<p>4 Conversion objective Increase site conversion rate to 3.2%</p>	<p>Model showing separate increase in conversion for new and</p>	<p>Combination of strategies: Incentivised email follow-up on checkout</p>	<p>Variations in conversion rates for new and existing customers in different product categories</p>

	existing customers based on strategies shown right	abandonments for new customers Introduction of more competitive pricing strategy on best-sellers AB and multivariate messaging improvement of landing pages Refinement to quality of traffic purchased through payper-click programme	
5 Retention objective Increase annual repeat new customer conversion rate by 20%	Business case based on limited personalisation of offers to encourage repeat purchases via email	Delivery of personalised product offers by email 5% second purchase discount voucher	Increased conversion rate of retention email contact programme Conversion to sale for second purchase discount campaigns
6 Growth objective Increase new prospects recommended by friends (viral marketing or 'member get member') by 10,000 per annum	Model based on encouraging 2% of customers to recommend friends annually (based on trial scheme)	Supported by direct mail and email recommendation programme	Response rate to direct mail campaign

Furthermore, digital marketing strategy development involves reappraising a company's approach to strategy based on familiar elements of marketing strategy. We believe there are nine important decisions to consider. The first four are concerned with fundamental questions of how an organisation delivers value to customers online and which products are offered to which markets online. The next four are more concerned with the mix of marketing communications used to communicate with customers across multiple channels and the final decision refers to organisation and governance.

Decision 1: Market and product development strategies

Fundamentally, the market and product development matrix (Figure 4.11) can help identify strategies to increase sales volume through varying what is sold (the product dimension on the horizontal axis of Figure 4.11) and to whom it is sold (the market dimension on the vertical axis). Specific objectives need to be set for sales generated via these strategies, so this decision relates closely to that of objective setting. Let us now review these strategies in more detail.

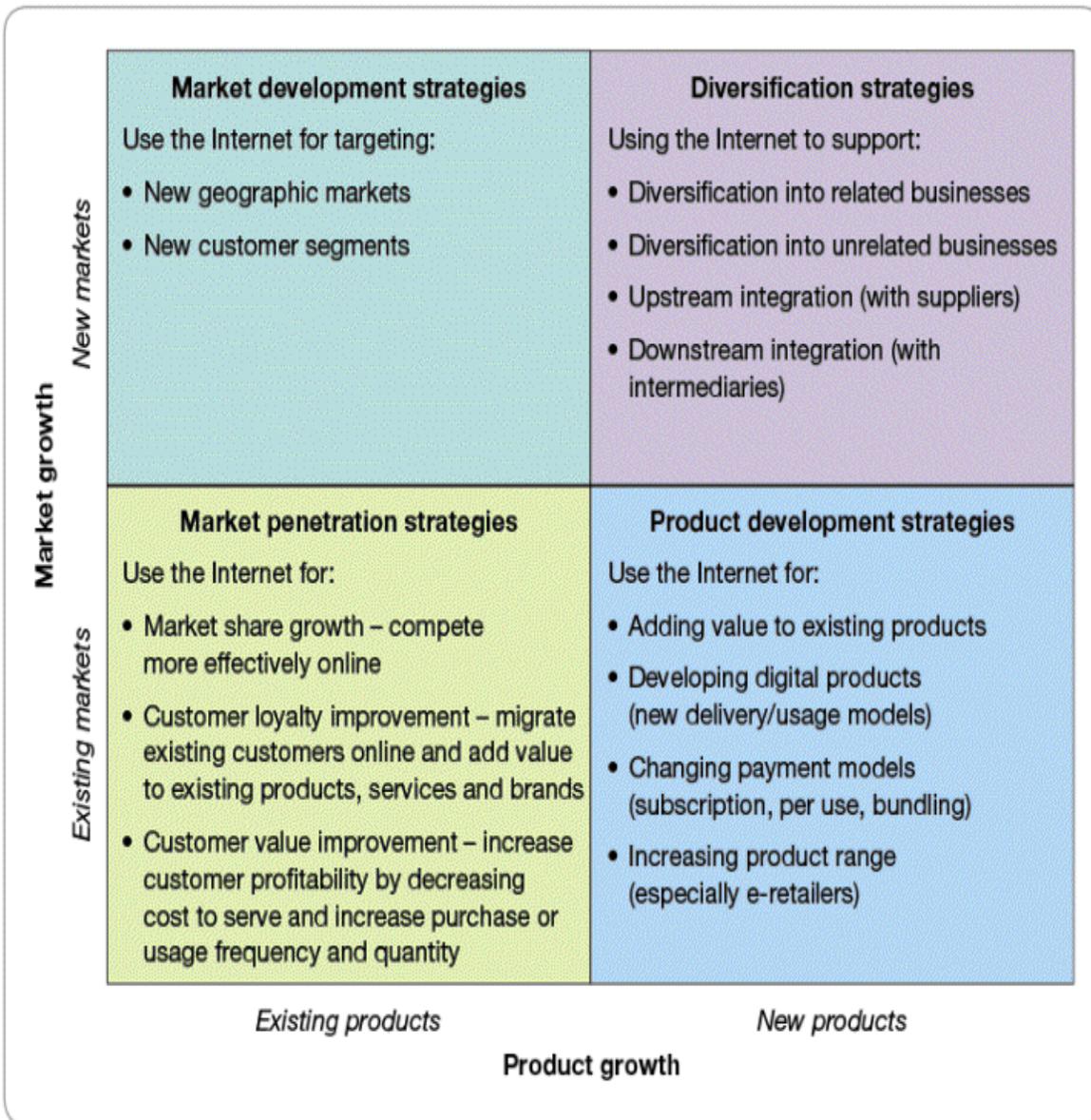
1 Market penetration

This strategy involves using digital channels to sell more existing products into existing markets. Digital channels have great potential for achieving sales growth or maintaining sales by the market penetration strategy. As a starting point, many companies will use digital channels to help sell existing products into existing markets, although they may miss opportunities indicated by the strategies in other parts of the matrix. Figure 4.11 indicates some of the main market penetration techniques:

- **Market share growth.** Companies can compete more effectively online if they have websites that are efficient at converting visitors to sale (as explained in Chapter 7) and mastery of the 'always-on' online marketing communications techniques (reviewed in Chapter 8), such as search engine marketing, affiliate marketing and online advertising.
- **Customer loyalty improvement.** Companies can increase their value to customers and so increase loyalty by migrating existing customers online by adding value to existing products, services and brands by developing their online value proposition (see Decision 4 and Chapter 6).
- **Customer value improvement.** The value delivered by customers to the company can be increased by increasing customer profitability through decreasing cost to serve (and so price to customers) and at the same time increasing purchase or usage frequency and quantity, for example using the

marketing automation and personalisation techniques (described in [Chapter 6](#)). These combined effects should drive up sales. Many companies will offer competitive online prices or discounts to help increase their market share. Approaches to specifying online pricing are covered in [Chapter 5](#).

Figure 4.11 Using digital channels to support different organisational growth strategies



2 Market development

Online channels are used to sell into new markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customer’s country. The Internet has helped low-cost airlines

such as easyJet and Ryanair to cost-effectively enter new markets served by their routes. This is a relatively conservative use of the Internet but is a great opportunity for SMEs to increase exports at a low cost, though it does require overcoming the barriers to exporting. We saw in [Chapter 1](#) how a Germany-based fashion retailer has entered many European markets using techniques such as search engine marketing, display advertising and social media marketing to create awareness and demand for services. New entrants that gain market share using new techniques are sometimes referred to as ‘digital disruptors’.

Existing products can also be sold to new market segments or different types of customers. Virtual inventory enables new offerings to be made available to smaller segment sizes, an approach known as micro-targeting. This may happen simply as a by-product of having a website – e.g. RS Components (www.rswww.com), a supplier of a range of MRO (maintenance, repair and operations) items, found that 10 per cent of the web-based sales were to individual consumers rather than traditional business customers. It also uses the website to offer additional facilities for customers placing large orders online. easyJet also has a section of its website to serve business customers. The Internet may offer further opportunities for selling to market sub-segments that have not been previously targeted. For example, a product sold to large businesses may also appeal to SMEs that they have previously been unable to serve because of the cost of sales via a specialist sales force.

3 Product development

The web can be used to add value to or extend existing products for many companies. For example, a car manufacturer can potentially provide car performance and service information via a website. Facilities can be provided to download tailored brochures, book a test drive or tailor features required from a car model. But truly new products or services that can be delivered only by the Internet are typically digital media or information products – e.g. Elephant Wifi found that its town-wide Wi-Fi systems could be supported by a new product called Geo-Sense, which opened up new revenue streams (see <http://www.elephantwifi.co.uk/geo-sense>).

Similarly, music and book publishing companies have found new ways to deliver products through a new development and usage model such as subscription and pay-per-use (as explained in [Chapter 5](#)) in the section on the product element of the marketing mix) Retailers can extend their product range and provide new bundling options online also.

4 Diversification

In this sector, new products are developed that are sold into new markets. The Internet alone cannot facilitate these high-risk business strategies, but it can facilitate them at lower costs than have previously been possible. The options include:

- **Diversification into related businesses.** A low-cost airline can use the website and customer emails to promote travel-related services such as hotel booking, car rental or travel insurance at relatively low costs either through its own brand or through partner companies – e.g. Ryanair offers its customers discounts if they book car hire with Hertz™ car rentals.
- **Diversification into unrelated businesses.** Again, the website can be used to promote less-related products to customers, which is the approach used by the Virgin brand, which constantly diversifies in order to avoid obsolescence.
- **Upstream integration with suppliers.** This is achieved through data exchange between a manufacturer or retailer and its suppliers to enable a company to take more control of the supply chain (e.g. the ASOS marketplace (<https://marketplace.asos.com>) enables the retailer to offer products from independent retail brands and boutiques).
- **Downstream integration with intermediaries.** Again, this is achieved through data exchange with distributors such as online intermediaries.

Decision 2: Business and revenue models strategies

Strategy formulation often requires companies to evaluate new models, since to survive in the digital age means companies need to constantly innovate in order to defend market share from competitors and new entrants. Companies at the leading edge of technology such as Facebook and Google constantly innovate through acquiring other companies and internal research and development. [Case study 4](#) on ASOS at the end of this chapter also highlights innovation in the ASOS **business model** facilitated through online channels.

Business model

A summary of how a company will generate revenue, identifying its product offering, value-added services, revenue sources and target customers.

This approach to supporting strategic agility through ongoing research and development is sometimes known as a **Skunkworks**, digital lab, or also digital innovation centre in larger businesses.

Skunkworks

A loosely structured group of people who research and develop innovative opportunities and business benefits.

Surprisingly, the term is not new. It originated from a Second World War R&D project, known as the Lockheed Martin Skunk Works, over 70 years ago. Since then, its Skunkworks has helped enhance its global reputation as a pioneer in creating breakthrough technologies and continually redefining flight.

Ideally, a Skunkworks has sufficient autonomy that it does not get sidetracked by current business needs. So it can operate as an off-shoot of the main organisation, protected from cultures and processes that inhibit progress, and has a remit to create, develop and concept test new opportunities, products and services.

Another approach to developing new approaches is to encourage other companies in your sector; this is the approach taken by John Lewis™ with the JLabs (<https://jlab.co.uk/>).

Mini case study 2.1: Innovation in the Dell business model

One example of how companies can review and revise their business model is provided by Dell Computers. Dell gained **early-mover advantage** in the mid-1990s when it became one of the first companies to offer PCs for sale online directly from manufacturer to user. Its sales of PCs and peripherals rapidly grew from the mid-1990s with online sales of \$1 million per day to sales of \$50 million per day in 2000. Based on this success it has looked at new business models to use in combination with its powerful brand to provide new services to its existing customer base and also to generate revenue through new customers. In 2000, Dell announced plans to become a supplier of IT consulting services through linking with enterprise resource planning specialists such as software suppliers, systems integrators and business consulting firms. In 2007 **Dell.com** became fourth-largest e-commerce site, and by 2016 claimed to be the largest for commercial technology products. In 2017, the company expanded its worldwide market share. Dell achieved this continued growth by focusing on using e-commerce and social media strategies to reach out and retain loyal customers. According to Michael Dell, the company founder, the company maps its path by curiosity and looking at opportunities in new ways, concluding that there is always an opportunity to make a difference. His leadership in the early days established a culture within the company of looking to innovation for future growth and development.

Early(first)-mover advantage

An early entrant into the marketplace.

Dell launched IdeaStorm™ (www.ideastorm.com, see [Figure 4.12](#)) as a site encouraging user participation, where anyone can suggest new products and features, which can be voted on. Importantly, Dell ‘closes the loop’ through a separate *Ideas in Action* section, where it updates consumers on actions taken by the company. For example, as well as improvements to customer service, the company explains how it has introduced new systems such as a non-Windows Linux operating system in response to suggestions on IdeaStorm. It also explains ideas it hasn’t implemented, and why.

Figure 4.12 Dell IdeaStorm (www.ideastorm.com)



Source: © 2012 Dell Inc. All Rights Reserved.

Finally, while all digital strategies should consider all of the available options (including to do nothing), we can note that companies can make less radical changes to their **revenue models** through the Internet that are less far-reaching, but may nevertheless be worthwhile. For example:

- Transactional e-commerce sites (e.g. [Tesco.com](#) and [Lastminute.com](#)) can sell advertising space or run co-branded promotions on site or through their email newsletters or lists to sell access to their audience to third parties.
- Retailers or media owners can sell-on white-labelled services through their online presence such as ISP, email services or photo-sharing services.
- Companies can gain commission through selling products that are complementary (but not competitive to their own); e.g. a publisher can sell its books through an affiliate arrangement with an e-retailer.

Revenue model

Describes methods for generating income for an organisation.

Decision 3: Target marketing strategy

Deciding on which markets to target is a key strategic consideration when planning a digital marketing strategy. **Target marketing strategy** involves the four stages shown in [Figure 4.13](#). The two key decisions for the marketing strategist are: The two key decisions for the marketing strategist are:

- **Segmentation/targeting strategy.** A company's online customers will often have different demographic characteristics, needs and behaviours from its offline customers. It follows that different online approaches to **strategic market segmentation** may be an opportunity, and specific segments may need to be selectively targeted through online media channels, the company website or email communications. As we will see, personal development and lifecycle targeting are common approaches for online targeting.
- **Positioning/differentiation strategy.** Competitors' product and service offerings will often differ in the online environment. Developing an appropriate online value proposition is an important aspect of this strategy.

Target marketing strategy

Evaluation and selection of appropriate market segments and the development of appropriate offers.

Strategic market segmentation

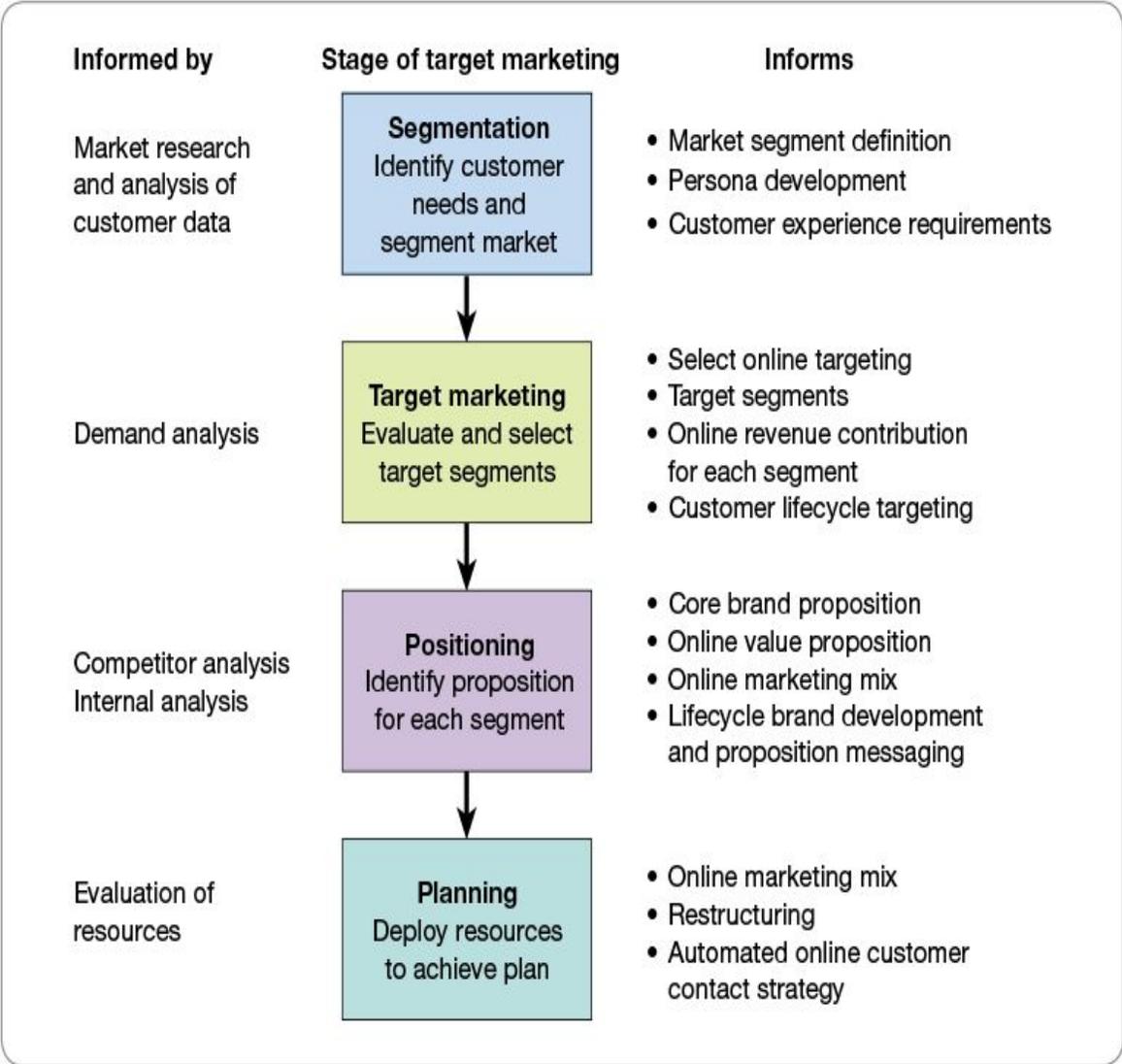
A grouping of customer types defined by their value to a business and common characteristics, needs or psychographic profiles.

The first stage in [Figure 4.13](#) is *segmentation*. Segmentation is a management technique that allows businesses to focus their efforts on the customers they can serve best. When creating digital marketing plans it is useful to distinguish between strategic market segmentation and online tactical segmentation, which is used for online targeting.

Strategic market segmentation can be defined as (Jobber and Ellis-Chadwick, 2016):

the identification of individuals or organisations with similar characteristics that have significant implications for determining marketing strategy.

Figure 4.13 Stages in target marketing strategy development



In a digital marketing planning context, market segments should be reviewed to assess:

- the current market size or value, future projections of size;
- the organisation's current and future market share within the segment;
- the cost-effectiveness and likelihood of a target segment engaging with the organisation's offer across all aspects of the buying process – for example, whether it is cost-effective to generate demand of leads and sales use organic media based on content marketing or paid media such as programmatic display, pay-per click advertising (Google Ads), paid social ads or affiliate marketing;
- needs of each segment, in particular unmet needs;
- competitor market shares within the segment;
- organisation and competitor offers and propositions;
- usage of the site and conversion to action through web analytics.

Options for segmenting online customers by activity levels, which is an online tactical marketing segmentation approach, are covered in more detail in [Chapter 6](#) and segmenting site visitors through web analytics systems are covered in [Chapter 10](#).

Stage 2 in [Figure 4.13](#) is target marketing. Here we can select segments for targeting online that are most attractive in terms of growth and profitability. These may be similar or different compared with groups targeted offline. Some examples of customer segments that are targeted online include:

- **The most profitable customers.** Using the Internet to provide tailored offers to the top 20 per cent of customers by profit may result in more repeat business and cross-sales.
- **Larger companies (B2B).** An extranet could be produced to service these customers and increase their loyalty.
- **Smaller companies (B2B).** Large companies are traditionally serviced through sales representatives and account managers, but smaller companies may not warrant the expense of account managers. However, the Internet can be used to reach smaller companies more cost-effectively. The number of smaller companies that can be reached in this way may be significant, so although the individual revenue of each one is relatively small, the collective revenue achieved through Internet servicing can be large.
- **Particular members of the buying unit (B2B).** The site should provide detailed information for different interests that supports the buying decision,

e.g. technical documentation for users of products, information on savings from e-procurement for IS or purchasing managers, and information to establish the credibility of the company for decision makers.

- **Customers that are difficult to reach using other media.** An insurance company looking to target younger drivers could use the web as a vehicle for this.
- **Customers that are brand-loyal.** Services to appeal to brand loyalists can be provided to support them in their role as advocates of a brand.
- **Customers that are not brand-loyal.** Conversely, incentives, promotion and a good level of service quality could be provided by the website to try and retain such customers.

Some segments can be targeted online by using navigation options to different content groupings such that visitors *self-identify*. This is the approach used as the main basis for navigation on the Dell site (Figure 4.14) and has potential for subsidiary navigation on other sites. Dell targets by geography and then tailors the types of consumers or businesses according to country, the US Dell site having the most options. Other alternatives are to set up separate sites for different audiences – e.g. Dell Premier is targeted at purchasing and IT staff in larger organisations. Once customers are registered on a site, profiling information in a database can be used to send tailored email messages to different segments.

The number of options used, or segment layers, and so the sophistication of the approach, will depend on resources available, technological capabilities and opportunities afforded by the following.

Figure 4.14 Dell Singapore site segmentation

The screenshot shows the Dell website homepage. At the top left is the Dell logo with the tagline "The power to do more". To the right are navigation links: "For Home", "For Small and Medium Business", "For Public Sector", and "For Large Enterprise". Further right is a search bar labeled "Keyword or E-Value Code Search" and a link to "Premier Login | Support". Below the search bar is a note: "Order Online Safely, Visit Dell Stores & Retailers or Contact Us".

The main banner is a large blue rectangle containing the text:

The future of technology is defined by change.

But the destiny of a company is defined by commitment.

See Our Promise >

At the bottom right of the banner is a navigation control with arrows and numbers 1, 2, 3, 4.

Below the banner are three content sections:

- What's New:** Features two Dell laptops, one red and one black. Below them is the text: "▶ Limited Units! Inspiron 13z Limited Edition".
- Headlines:** Features a photograph of a group of people jumping in a field. Below the image is the text: "▶ Dell pledges \$10 Million to Education in 2011".
- Dell Deals:** Features a Dell desktop computer system (tower, monitor, keyboard, mouse). Below the image is the text: "▶ Get an extra \$50 off when you purchase Vostro".

Source: www.ap.dell.com/content/default.aspx?c=sg&l=en&s=gen. © 2012 Dell Inc. All Rights Reserved.

1 Identify customer profile-based demographic characteristics

This is a traditional segmentation based on the type of customer. For B2C companies this will include age, sex and geography. For B2B companies, it will include size of company and the industry sector or application they operate in.

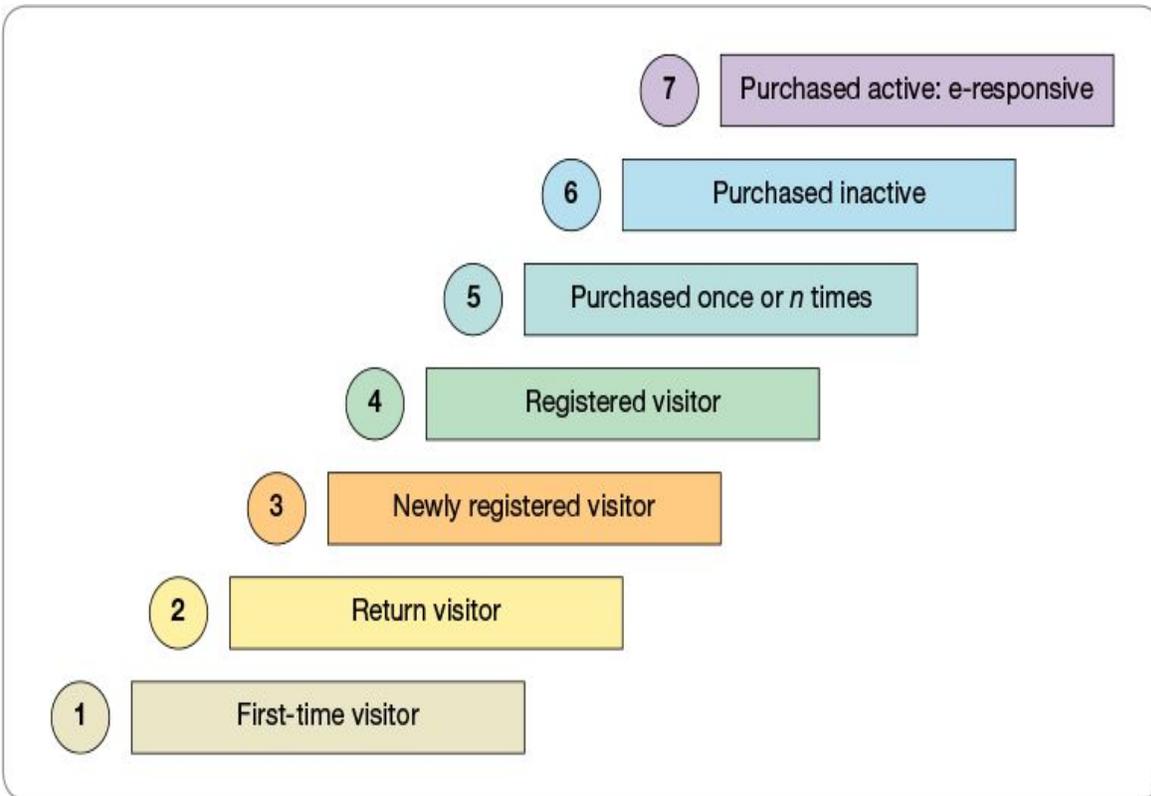
2 Identify customer lifecycle groups

[Figure 4.15](#) illustrates this approach. As visitors use online services they can potentially pass through seven or more stages. Once companies have defined these groups and set up the customer relationship management infrastructure to categorise customers in this way, they can then deliver targeted messages, either by personalised on-site messaging or through emails that are triggered automatically by different rules. First-time visitors can be identified by whether they have a cookie placed on their digital device or other ‘digital fingerprints’ related to mobile or social media use. Once visitors have registered, they can be tracked through the remaining stages. A particularly important group is those customers who have purchased one or more times. For many e-retailers, encouraging customers to move from the first purchase to the second purchase and then on to the third purchase is a key challenge. Specific promotions can be used to encourage further purchases. Similarly, once customers become inactive (i.e. they have not purchased for a defined period such as three months) further follow-ups are required.

3 Identify behaviour in response and purchase value

As customers progress through the lifecycle shown in [Figure 4.15](#), database analysis can be used by the marketer to build up a detailed response and purchase history, which considers the details of recency, frequency, monetary value and category of products purchased. Grouping customers by their current and future value and techniques can be used to develop strategies to retain valuable customers and migrate lower-value customers to a higher value in future (see [Chapter 6](#)).

Figure 4.15 Customer lifecycle segmentation



4 Identify multichannel behaviour (channel preference)

Regardless of the enthusiasm of the company for online channels, some customers will prefer using online channels and others will prefer traditional channels. Drawing a channel chain for different customers is useful to help understand this. It is also useful to have a flag within the database that indicates the customer's channel preference and, by implication, the best channel to target them through. Customers who prefer online channels can be targeted mainly by online communications such as email, while those who prefer traditional channels can be targeted by traditional communications such as direct mail or phone.

5 Tone and style preference

In a similar manner to channel preference, customers will respond differently to different types of message. Some may like a more rational appeal, in which case a detailed email explaining the benefits of the offer may work best. Others will prefer an emotional appeal based on images and with warmer, less formal copy. Testing is needed based on customers' profile characteristics and response behaviour and then develop different creative treatments accordingly.

Decision 4: Positioning and differentiation strategy (including the marketing mix)

Stage 3 in [Figure 4.13](#) is positioning. Ultimately, positioning defines how a company wants to compete and this is determined by the chosen market segmentation, the actual target market and the differential advantage offered by the product or service (Jobber and Ellis-Chadwick, 2016). The key to this stage of decision-making is to focus on the minds of customers in the chosen target markets (Reis, 2017). In their minds, most consumers either have a brand attached to product category or they do not; maybe because it is an underdeveloped category (e.g., the electric car) or they have yet to exercise a preference. In the case of the new category, there is opportunity for a brand to take first-mover advantage (Yang *et al.*, 2017), as Tesla™ has done in the electric car market. Either way, to make a connection with a prospect's mind, it is better to promote a small feature of a brand that is known to the prospect rather than a major feature that is unknown (Reis, 2017). By taking this approach, it becomes possible to connect with the target prospect and establish the foundations of a differential market positioning and then build from this point.

Digital marketing insight 4.5: How did cardboard boxes singing ‘give a little bit of my love’ connect to the minds of millions of shoppers?

Amazon's Christmas 2017 advert showed boxes travelling from a warehouse, by lorry and plane, to the hands of a young customer. And, on the journey, the smiling boxes were animated to appear as if they were singing ‘Give a little bit of my love’. This was considered the most impactful according to research by Kantar Millward Brown (2017). The reasons why is that consumers said the advert stood out from the *noise*; Amazon's branding came through clearly, so it was easy to identify with, and the story in the advert was also found to be relevant and believable. In other words, it hit the spot in the minds of the target audience, by using strong positioning. How this works is that anyone who has shopped with Amazon is familiar with the cardboard boxes that arrive on their doorsteps, even if they are not aware of the journey the box takes to get there. So once the initial connection is made, the story can be told.

Online the same principles apply but in a highly complex and dynamic marketplace. Key decisions are about how to enter the minds of the prospective customer, which is the position where the brand wishes to be (as shown in [Figure 4.16](#)).

See [Digital marketing insight 4.5](#) to find out how singing boxes captured the minds of millions of online shoppers in the UK.

Differential advantage

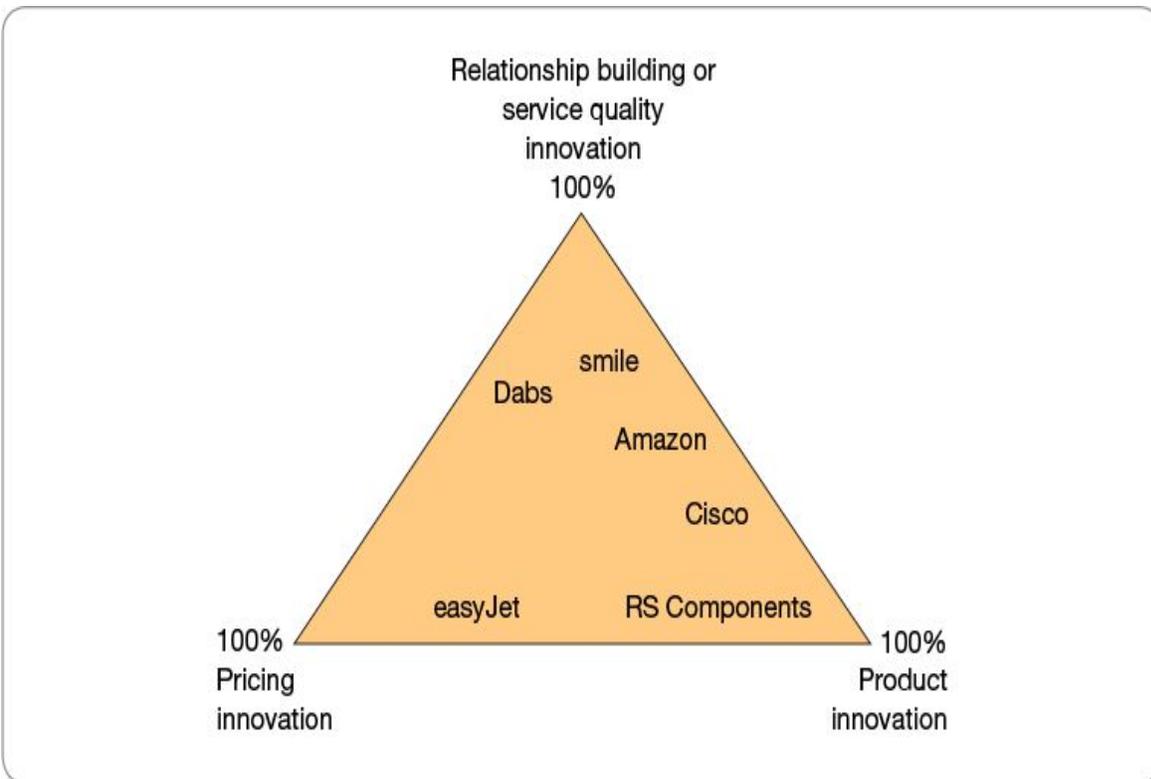
The aim of positioning is to develop a **differential advantage** over competitors. Jobber and Ellis-Chadwick (2016) suggest that market segmentation is at the heart of developing a differential marketing strategy. Marketing strategists use elements from the marketing mix to establish the difference between their company and their rivals. Many businesses have differentiated their own line offer by using price, for example:

- **Retailers:** offering lower prices online. Examples: **Tesco.com** (price promotions on selected products), Comet™ (discounts relative to instore pricing on some products).
- **Airlines:** offering lower-cost flights for online bookings. Examples: easyJet, Ryanair, BA.
- **Financial services companies:** offering higher interest rates on savings products and lower interest rates on credit products such as credit cards and loans. Examples: Nationwide Building Society™, Alliance & Leicester™.
- **Mobile phone network providers or utilities:** offering lower-cost tariffs or discounts for customer accounts that are managed online without paper billing. Examples: O2™, British Gas™.

Differential advantage

A desirable attribute of a product offering that is not currently matched by competitor offerings.

Figure 4.16 Alternative positionings for online services



It is important to note that price is not the only way to stand out online; quality of brand experience and quality of service is equally important for creating differential advantage.

In a digital marketing context, differential advantage and positioning can be clarified and communicated by developing an **online value proposition (OVP)**. Developing an OVP, involves:

- developing online content and service and explaining them through messages that:
 - reinforce core brand proposition and credibility;
 - communicate what a visitor can get from an online brand that they can't get from the brand offline and they can't get from competitors or intermediaries.
- communicating these messages to all appropriate online and offline customers with touchpoints in different levels of detail, from straplines to more detailed content on the website or in print.

Online value proposition (OVP)

A statement of the benefits of online services reinforces the core proposition and differentiates from an organisation's offline offering and those of competitors.

Communicating the OVP on the site can help create a customer-centric website. Virgin Wines™ used an OVP to communicate its service promise as follows:

- And what if... *You are out during the day?* We promise that our drivers will find a safe place to leave your wine; but if it does get stolen, we just replace it.
- *You find it cheaper elsewhere?* We will refund the difference if you are lucky enough to find a wine cheaper elsewhere.
- *You live somewhere obscure?* We deliver anywhere in the UK, including Northern Ireland, the Highlands and Islands and the Scilly Isles for £5.99.
- *You are in a hurry?* We deliver within seven days, or your delivery is free.

Many strategic planning decisions are based around the OVP and the quality of online customer experience delivered by a company. Interactive features can be particularly important for transactional sites in that they may enhance the user's experience and so encourage conversion and repeat sales. Examples of how companies have developed their OVP through interactive features include customer reviews and ratings, podcast product reviews, a blog with customer comments enabled, buyers' guide and video reviews (see [Activity 4.3](#) for examples).

Having a clear online value proposition has several benefits:

- It helps distinguish an e-commerce site from its competitors (this should be a website design objective).
- It helps provide a focus on marketing efforts so that company staff are clear about the purpose of the site.
- If the proposition is clear, it can be used for PR, and word-of-mouth recommendations may be made about the company.
- It can be linked to the normal product propositions of a company or its product.

We look further into options for varying the proposition and marketing mix in [Chapter 5](#).

Activity 4.3: Online value proposition

Purpose

To explore the concept of online value proposition.

Activity

Visit the following websites and summarise their online value proposition. You should also explain how they use the content of the website to indicate their value proposition to customers.

- Shopify (<https://www.shopify.co.uk>)
- Apple iPhone X (<https://www.apple.com/uk/iphone-x/>)
- Netflix (<https://www.netflix.com>)
- BBC (<https://www.bbc.co.uk/>)
- Aldi (<https://www.aldi.co.uk/>)

Decisions 5 and 6 relate to **multichannel prioritisation**, which assesses the strategic significance of the Internet relative to other communications channels. In making this prioritisation it is helpful to distinguish between **customer communications channels** and distribution channels.

Multichannel prioritisation

Assesses the strategic significance of the Internet relative to other communications channels and then deploys resources to integrate with marketing channels.

Customer communications channels

The range of media used to communicate directly with a customer.

Decision 5: Customer engagement and social media strategy

Each day there are millions of social network status updates, new blog posts, videos and news articles published. As consumers spend more time online reading and interacting with this content, the challenge of engaging them increases. Given this, we believe that every company must develop a **customer engagement strategy** as a key part of their digital marketing strategy. This customer engagement strategy reviews approaches to create compelling content and experiences that form the online value proposition.

Customer engagement strategy

A strategy to encourage interaction and participation of consumers with a brand through developing content and experiences with the aim of meeting commercial objectives. It is closely related to the development of content marketing and social media strategy.

Increasingly, it's most straightforward to achieve online engagement not on a company website but through a social presence on one of the main social networks such as Facebook, Google+, LinkedIn, Twitter or other specialist networks. Given the popularity of these social networks, many companies will seek to develop an overall **social media strategy**.

Social media strategy

A definition of the marketing communications used to achieve interaction with social network users to meet business goals. The scope of social media optimisation also includes incorporation of social features such as status updates and sharing widgets into company websites.

When developing an approach for using each social network to build engagement and community, there are some common decisions across the networks that focus on the types of content and how it is published. The answers for each social network will vary, but there are some common themes that should be part of an overall engagement and content marketing strategy. Here are some key questions to consider:

- *Question 1. Who are our target audience?* For a single company, the typical audience of each social network will differ in terms of demographics. If you review a sample of profiles for your own followers or competitors, you will get a feel for the typical audience and can develop typical customer personas you are targeting.
- *Question 2. What are the content preferences of our audiences?* The type of content that audiences like to see on each network is shown by the content they share or rate highly. For example, on Facebook it may be that videos work well, on Twitter infographics and on LinkedIn posting a provocative statement.
- *Question 3. Which content types should have priority?* Based on your analysis of customer needs and competitor benchmarking, you can set out the topics that will work best when covered in your content stream. For example, for the American Express™ Open Forum (www.openforum.com, a community that is independent of social networks) their content focuses on innovation, marketing and finance, though it can cover health and lifestyle too.

- *Question 4. How do we differentiate the social channel from other communications channels?* Each network will differ and have different preferences for types of content that fit the channel. If you can define a powerful offer for the social channel, it will encourage people to subscribe to that channel even if they are already using other channels. For example, retailer Asda™ (www.facebook.com/GeorgeatAsdaOfficial) offers ‘Previews, competitions and exclusive offers’ if someone ‘Likes’ its page. It also has more tactical campaigns to encourage sign-up; this requires email addresses to be collected, which can be assigned to a Facebook user.
- *Question 5. Should we consider content frequency and an editorial calendar?* To engage an audience requires regular content, but what does regular mean? Will there be several status updates a day or only several updates a week? How do these link to other content, such as that on a blog? There will be many different types of content, some will be quick to create, others will take much longer and need planning or resourcing; this is where an editorial calendar is essential.
- *Question 6. How do we manage publication and interaction?* Each social platform needs someone to update the content, but also to respond and interact on other social networks. A decision has to be taken as to whether this happens in-house or whether some of it can be outsourced to a third party.
- *Question 7. Should we use software for managing the publishing process?* Software can’t create content for you, but it can streamline the process. Tools such as Hootsuite™ or Tweetburner™ enable status updates to be shared across different networks. For example, status updates can be shared across Facebook, LinkedIn or Twitter. However, a personalised approach is recommended also.
- *Question 8. Should we be tracking the business impact of social network activity?* Tools are available from each of the platforms to help marketers review their effectiveness. For example, Facebook Insights is a service available to page owners on Facebook. There are also analytics features within tools like Hootsuite showing which messages were popular based on sharing and click-through rate.
- *Question 9. How do we optimise the social presence?* Tracking isn’t worthwhile unless it is reviewed and acted upon. The insights available will enable you to test, learn and refine marketing activities. This is known as **social media optimisation (SMO)**. We return to social media strategy at the start of [Chapter 6](#).

Social media optimisation (SMO)

A process to review and improve the effectiveness of social media marketing through reviewing approaches to enhance content and communications quality to generate more business value.

Decision 6: Multichannel distribution strategy

Distribution channels refer to the flow of products from a manufacturer or service provider to the end customer. At the centre of any distribution channel are the movement of goods and the flow of information between different organisations involved in moving goods from the point of manufacture and the point of consumption. Depending on the *players* that make up the supply chain, its structure can vary and this structure will determine whether goods get to the right place at the right time. Players in a supply chain can include: retailers, suppliers, intermediaries, third-party logistic solution providers and transportation companies that provide relevant services (e.g., warehousing and distribution management for their clients).

Distribution channels

The mechanism by which products are directed to customers, either through intermediaries or directly.

The general options for the mix of ‘bricks and clicks’ are shown in [Figure 4.17](#). The online revenue contribution estimate is informed by the customer demand analysis of propensity to purchase a particular type of product. If the objective is to achieve a high online revenue contribution of greater than 70 per cent then this will require fundamental change for the company to transform to a **clicks and mortar** or **clicks-only (Internet pureplay)** company.

Clicks and mortar

A business combining an online and offline presence.

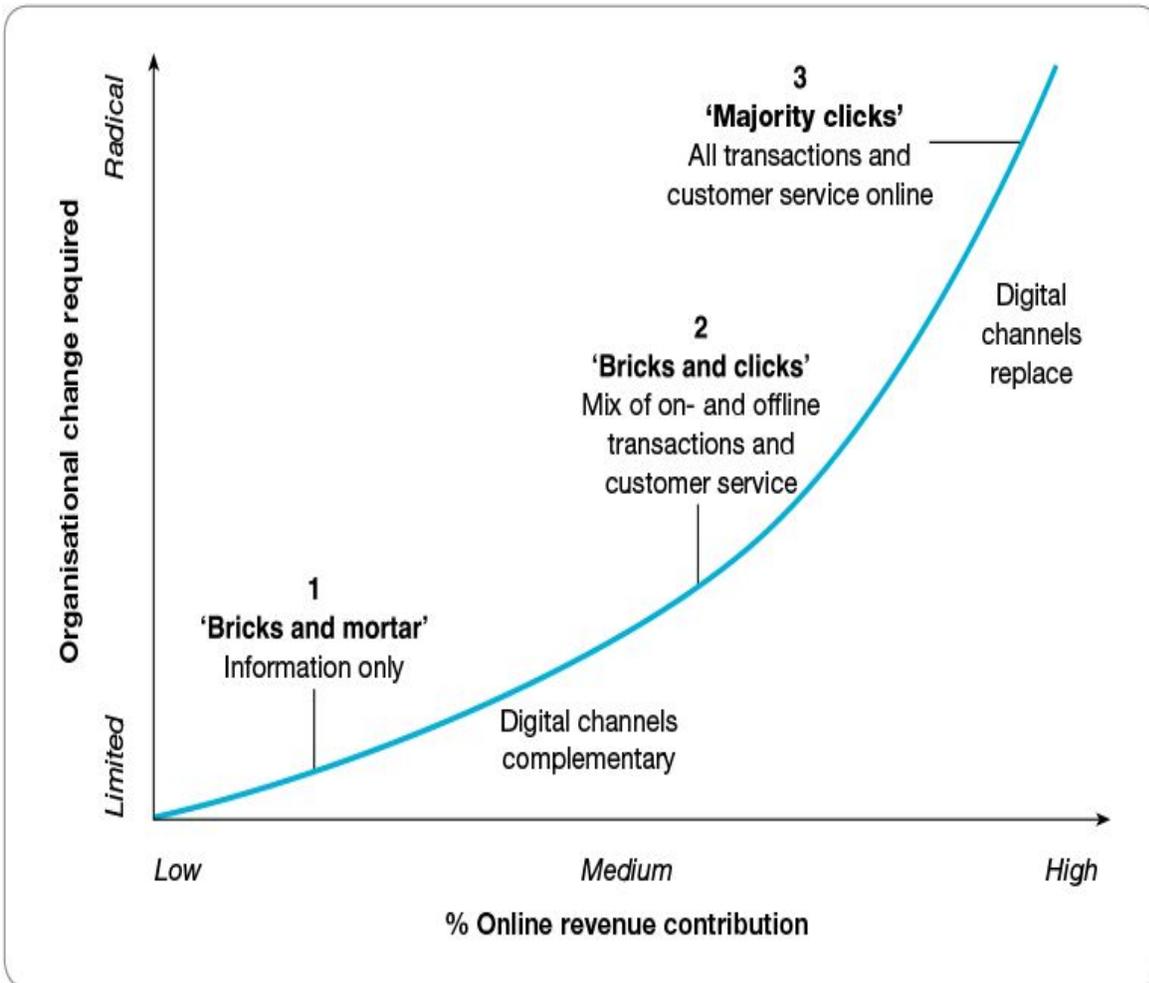
Clicks-only (Internet pureplay)

An organisation with principally an online presence. It does not operate a mail-order operation or promote inbound phone orders.

Kumar (1999) suggested that a company should decide whether the Internet will primarily *complement* the company’s other channels or primarily *replace* other

channels. Clearly, if it is believed that the Internet will primarily replace other channels, then it is important to invest in the promotion and infrastructure to achieve this. This is a key decision as the company is essentially deciding whether the Internet is ‘just another communications and/or sales channel’ or whether it will fundamentally change the way it communicates and sells to its customers.

Figure 4.17 Influences on customers of multichannel decision making



Source: adapted from Dholakia *et al.* (2010)

Kumar (1999) suggests that replacement is most likely to happen when:

- customer access to the Internet is high;
- the Internet can offer a better value proposition than other media;
- the product can be delivered over the Internet (it can be argued that this condition is not essential for replacement, so it is not shown in the figure);

- the product can be standardised (the user does not usually need to view to purchase).

Only if all four conditions are met will there primarily be a replacement effect. The fewer conditions met, the more likely it is that there will be a complementary effect.

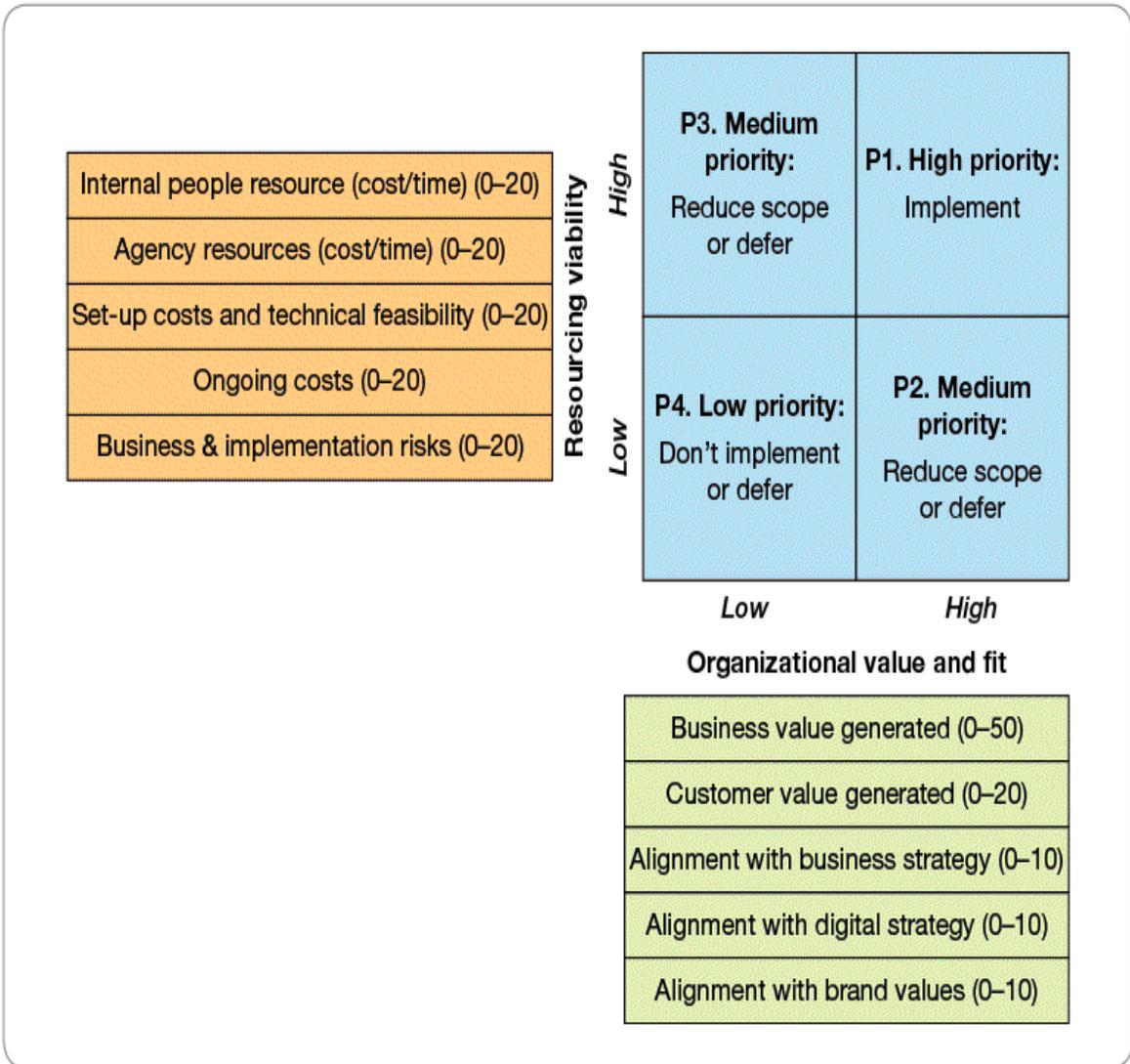
From an analysis such as that in [Figure 4.18](#), it should be possible to state whether the company strategy should be directed as a complementary or as a replacement scenario. As mentioned in relation to the question of the contribution of the Internet to its business, the company should repeat the analysis for different product segments and different markets. It will then be possible to state the company's overall commitment to the Internet. If the future strategic importance of the Internet is high, with replacement likely, then a significant investment needs to be made in the Internet, and a company's mission needs to be directed towards replacement. If the future strategic importance of the Internet is low then this still needs to be recognised and appropriate investment made.

Technological integration

To achieve strategic digital marketing goals, organisations will have to plan for integration with customers' and suppliers' systems. Chaffey (2014) describes how a supplier (in a B2B market) may have to support technical integration with a range of customer e-procurement needs, e.g.:

- **Links with single customers.** Organisations will decide whether a single customer is large enough to enforce such linkage (e.g., supermarkets often insist that their suppliers trade with them electronically). However, the supplier may be faced with the cost of setting up different types of links with different supermarket customers.
- **Links with intermediaries.** Organisations have to assess which are the dominant intermediaries, such as B2B marketplaces or exchanges, and then evaluate whether the trade resulting from the intermediary is sufficient to set up links with this intermediary.

Figure 4.18 Matrix for evaluating digital marketing business investment alternatives



Decision 7: Multichannel communications strategy

Customer communications channels refer to how an organisation influences its customers to select products and suppliers through the different stages of the buying process through inbound and outbound communications. As part of creating a digital marketing strategy, it is vital to define how the digital integrates with other inbound communications channels used to process customer enquiries and orders and with outbound channels that use direct marketing to encourage retention and growth or deliver customer service messages. For a retailer, these channels include in-store, contact-centre, web and outbound direct messaging used to communicate with prospects and customers. Some of these channels may be broken down further into different media (e.g. the contact-centre may involve

inbound phone enquiries, email enquiries or real-time chat). Outbound direct messaging may involve direct mail, email media or web-based personalisation.

The multichannel communications strategy must review different types of customer contact with the company and then determine how online channels will best support these channels. The main types of customer contact and corresponding strategies will typically be:

- inbound sales-related enquiries (customer acquisition or conversion strategy);
- inbound customer-support enquiries (customer service strategy);
- outbound contact strategy (customer retention and development strategy).

For each of these strategies, the most efficient mix and sequence of media to support the business objectives must be determined. Typically the short-term objective will be conversion to outcome such as sale or satisfactorily resolved service enquiry in the shortest possible time with the minimum cost. However, longer-term objectives of customer loyalty and growth also need to be considered. If the initial experience is efficient, but unsatisfactory to the customer, then they may not remain a customer!

The multichannel communications strategy must assess the balance between:

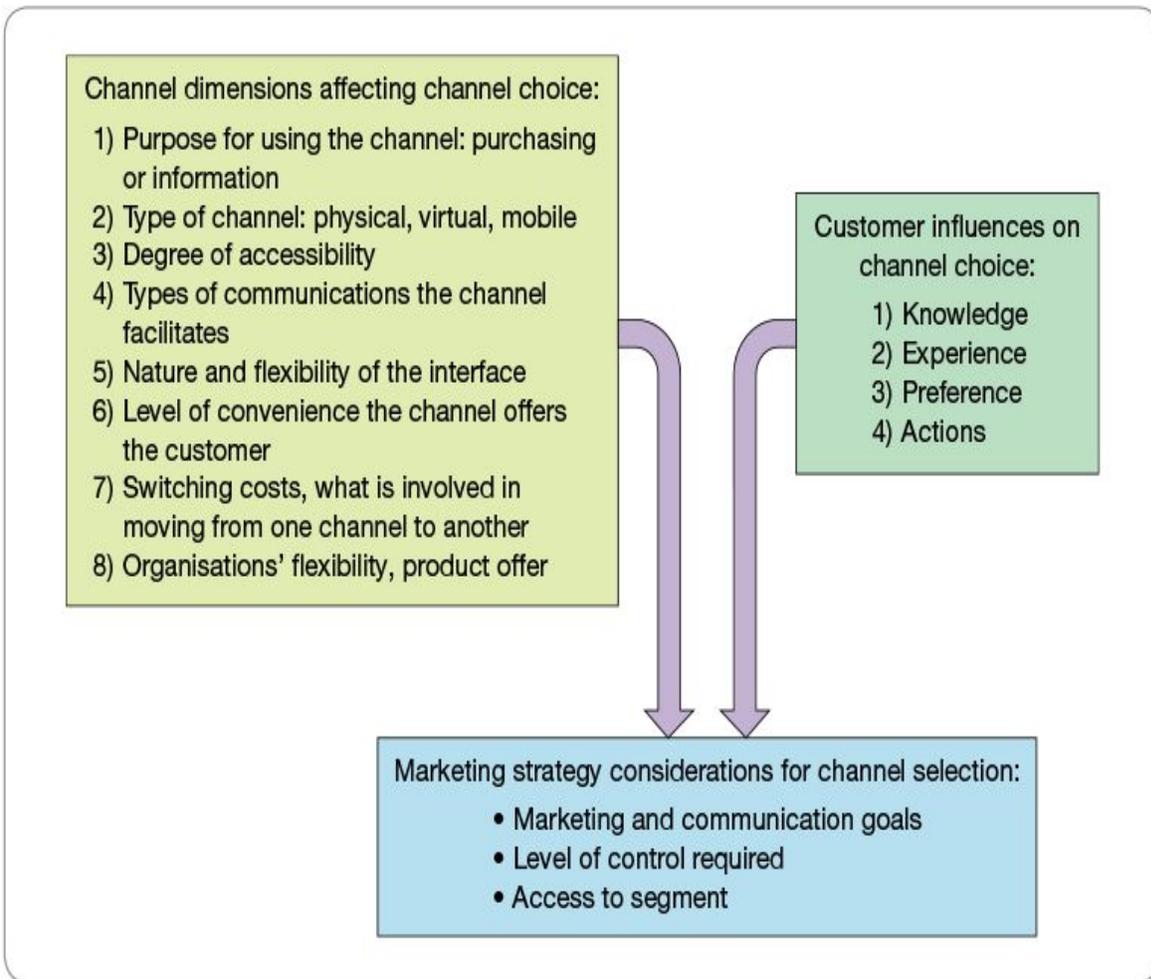
- **Customer channel preferences.** Some customers will prefer online channels for product selection or making enquiries while others will prefer traditional channels.
- **Organisation channel preferences.** Traditional channels tend to be more expensive to service than digital channels for the company; however, it is important to assess effectiveness and the ability of channels to convert the customer to sale (e.g. a customer who responds to a TV ad to buy car insurance may be more likely to purchase if they enquire by phone in comparison to web enquiry) or in developing customer loyalty (the personal touch available through face-to-face or phone contact may result in a better experience for some customers, which engenders loyalty).

Channels and media have become increasingly sophisticated and diverse in recent years and these developments have led to increasingly complex patterns of consumer behaviour. For an organisation to begin to understand customer behaviour online they need to identify target market segments, develop customer profiles and select channels and media that might be suitable for communicating with the chosen segment. As 'consumer segmentation is a critical aspect of

effective multichannel strategy design' (Neslin *et al.*, 2006), organisations are faced with making difficult and challenging decisions.

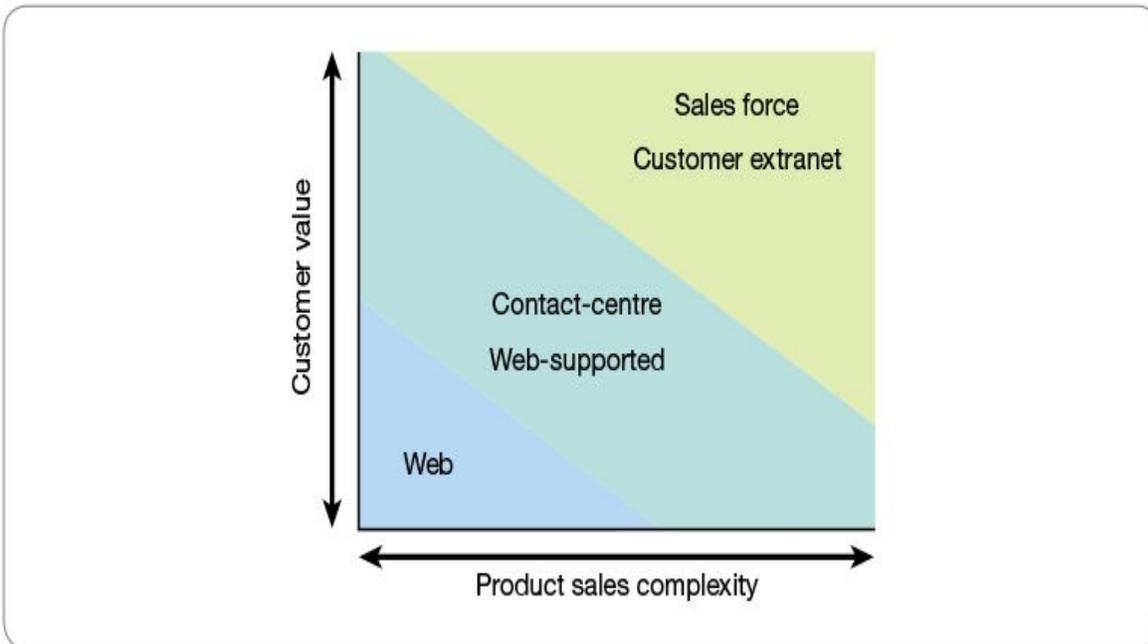
Figure 4.19 is based on the work of Dholakia *et al.* (2010), who suggest that there are eight dimensions to consider when making channel choice. This figure shows these dimensions and suggests the factors that affect consumer decision making. The channel dimensions have implications for planning and point to key decision areas for an organisation that is developing its channel and communication strategies. For example, dimension 3 – accessibility – is becoming increasingly important with the widespread adoption of wireless technology and mobile phones; dimension 5 – flexibility of the interface – some channels offer limited flexibility whereas others can be instantaneously tailored (e.g. advertising, which through emotional recognition software can potentially provide a personal message as a customer passes by an outdoor billboard). Customer influences affect their channel choice based on their personal characteristics, which affect how they interact with technology. Both the channel dimensions and customers will shape the strategy decisions a marketer makes but there are also marketing strategy considerations that will influence final channel selection, e.g. goals and objectives.

Figure 4.19 Influences on customers of multichannel decision making



Source: adapted from Dholakia *et al.* (2010)

Figure 4.20 Channel coverage map showing the company's preferred strategy for communications with different customer segments with different value



Multichannel communications strategy needs to specify the extent of communications choices made available to customers and the degree to which a company uses different channels to communicate with particular customer segments (Figure 4.20). Deciding on the best combination of channels is a complex challenge for organisations. Consider your mobile phone company – when purchasing you may make your decision about handset and network supplier in-store, on the web or through phoning the contact centre. Any of these contact points may either be direct with the network provider or through a retail intermediary. After purchase, if you have support questions about billing, handset upgrades or new tariffs you may again use any of these touchpoints to resolve your questions. Managing this multichannel challenge is vital for the phone company for two reasons, both concerned with customer retention. First, the experience delivered through these channels is vital to the customer's decision as to whether to remain with the network supplier when their contract expires – price is not the only consideration. Second, outbound communications delivered via website, email, direct mail and phone are critical to getting the customer to stay with the company by recommending the most appropriate tariff and handset with appropriate promotions, but which is the most appropriate mix of channels for the company (each channel has a different level of cost-effectiveness for customers that contributes different levels of value to the customer) and the customer (each customer will have a preference for the combinations of channels they will use for different decisions)?

We will return to key decisions about implementing customer contact strategies in [Chapter 6](#).

Decision 8: Online communications mix and budget

The decision on the amount of spending on online communications and the mix between the different communications techniques such as search engine marketing, affiliate marketing, email marketing and online advertising closely relates to Decision 6. In [Chapter 2](#) we discussed the changes in levels of adoption of different channels and media and these changes have a cascade effect in terms of implications for planning the communication mix.

Making these decisions requires digital marketers to decide the focus of their communications and whether the primary purpose is customer acquisition, retention or relationship building.

In the case of e-commerce operations, Agrawal *et al.* (2001) suggest that success can be modelled and controlled based on the customer lifecycle of customer relationship management. They suggest using a scorecard, which is based on **performance drivers** or critical success factors, e.g. costs for acquisition and retention, conversion rates of visitors to buyers to repeat buyers, together with churn rates. There are three main parts to their scorecard:

1. **Attraction.** Size of visitor base, visitor acquisition cost and visitor advertising revenue (e.g. media sites).
2. **Conversion.** Customer base, customer acquisition costs, customer conversion rate, number of transactions per customer, revenue per transaction, revenue per customer, customer gross income, customer maintenance cost, customer operating income, customer churn rate, customer operating income before marketing spending.
3. **Retention.** This uses similar measures to those for conversion customers.

Performance drivers

Critical success factors that determine whether business and marketing objectives are met.

We will return to this topic in [Chapter 8](#), where we will review the balance between **campaign-based e-communications**, which are often tied into a particular event such as the launch or re-launch of a website or a product – e.g. an interactive (banner) advert campaign may last for a period of two months

following a site re-launch, or for a five-month period around a new product launch.

Campaign-based e-communications

Digital communications that are executed to support a specific marketing campaign such as a product launch, price promotion or a website launch.

Companies wishing to advertise using digital channels are also making changes; they are having to invest in new staff with the required skills to understand the new media and many established brand images need to be changed to succeed online.

Decision 9: Organisational capabilities (7S framework) and governance to support digital transformation

In addition to the eight decisions we have reviewed related to digital business and revenue models and use of digital communications, there are also decisions related to how the organisation manages changes required by deployment of digital media. These are related to digital transformation changes outlined in [Table 1.3](#), such as managing marketing technology, data and insight and changes to structure and skills.

Strategy implementation

This forms the topic for subsequent chapters in this text as follows:

- [Chapter 5](#) – options for varying the marketing mix in the digital environment.
- [Chapter 6](#) – implementing customer relationship management.
- [Chapter 7](#) – delivering online services and developing digital experiences via a website and mobile apps.
- [Chapters 8 and 9](#) – interactive marketing communications.
- [Chapter 10](#) – monitoring and maintaining the online presence.

In each of these areas, such as CRM or development of website functionality, it is common that different initiatives will compete for budget. The next section reviews techniques for prioritising these projects and deciding on the best portfolio of e-commerce applications.

Assessing different digital projects including marketing technology

A further organisational capability issue is the decision about different systems for implementing marketing applications. Typically, there will be a range of alternatives competing for budgets. Limited resources will dictate that only some applications are practical and a long-term roadmap may be needed to prioritise them.

Portfolio analysis can be used to select the most suitable projects. For example, Daniel *et al.* (2001) suggest that potential e-commerce opportunities should be assessed for the value of the opportunity to the company against its ability to deliver. Typical opportunities for digital marketing strategy for an organisation that has a brochureware site might be:

- content management systems or online catalogue facility;
- CRM system – lead generation and inbound marketing system;
- CRM system – customer service management;
- CRM system – personalisation of content and promotion recommendations for users;
- partner relationship management extranet for distributors or agents;
- transactional e-commerce facility.

Portfolio analysis

Identification, evaluation and selection of desirable marketing applications.

The full range of marketing technology options are covered in [Chapter 10](#). Such alternatives can be evaluated in terms of their risk against reward.

For information systems investments, the model of McFarlan (1984) has been used extensively to assess the future strategic importance applications in a portfolio. This model has been applied to the e-commerce applications by Daniel *et al.* (2008) and Chaffey (2014). Potential e-commerce applications can be assessed as:

- **Key operational:** essential to remain competitive. Example: partner relationship management extranet for distributors or agents.
- **Support:** deliver improved performance, but not critical to strategy. Example: e-CRM system – personalisation of content for users.

- **High-potential:** may be important for achieving future success. Example: e-CRM system – customer service management.
- **Strategic:** critical to future business strategy. Example: e-CRM system – lead generation system is vital to developing new business.

A further portfolio analysis suggested by McDonald and Wilson (2002) is a matrix of attractiveness to customer against attractiveness to company, which will give a similar result to the risk–reward matrix. Finally, Tjan (2001) has suggested a matrix approach of viability (return on investment) against fit (with the organisation’s capabilities) for digital applications that remains representative of the decision-making process many organisations follow. He presents five metrics for assessing viability and fit. Viability is ideally based on a quantitative business case assessment of the value of a new application that will be generated through increasing conversion and retention rates. Fit is a more subjective measure based on the ease of implementation given the fit of an application with an organisation’s existing processes, capabilities and culture. Additional criteria are developed for viability and fit. For ‘viability’, the criteria used to assess the potential value of an investment are rated between 100 (positive) and 0 (unfavourable) in each of these areas:

- market value potential;
- time to positive cash flow;
- personnel requirement;
- funding requirement.

For ‘fit’, the criteria are rated as low to medium to high to assess the value of a potential investment:

- alignment with core capabilities;
- alignment with other company initiatives;
- fit with organisational structure;
- fit with company’s culture and value;
- ease of technical implementation.

Our recommendation for a form of portfolio analysis is shown in [Figure 4.18](#) as the basis for benchmarking current e-commerce capabilities and identifying strategic priorities. The five criteria used for organisational value and fit (together with a score or rating for their relative effectiveness) are:

- **Business value generated (0–50).** These should be based on *incremental* financial benefits of the project. These can be based on conversion models showing estimated changes in number of visitors attracted (new and repeat customers), conversion rates and results produced. Consideration of lifetime value should occur here.
- **Customer value generated (0–20).** This is a ‘softer’ measure that assesses the impact of the delivered project on customer sentiment, for example would they be more or less likely to recommend a site, would it increase their likelihood to visit or buy again?
- **Alignment with business strategy (0–10).** Projects that directly support current business goals should be given additional weighting.
- **Alignment with digital strategy (0–10).** Likewise for digital strategy.
- **Alignment with brand values (0–10).** And for brand values.

The cost elements for potential e-business projects are based on requirements for internal people resource (cost/time), agency resource (cost/time), set-up costs and technical feasibility, ongoing costs and business and implementation risks.

The online lifecycle management grid

Earlier in the chapter, in the section on objective setting, we reviewed different frameworks for identifying objectives and metrics to assess whether they are achieved. We consider the online lifecycle management grid at this point since [Table 4.7](#) acts as a good summary that integrates objectives, strategies and tactics.

The columns isolate the key performance areas of site visitor acquisition, conversion to opportunity, conversion to sale and retention. The rows isolate more detailed metrics such as the tracking metrics and performance drivers from higher-level metrics such as the customer-centric key performance indicators (KPIs) and business-value KPIs. In the bottom two rows we have also added in typical strategies and tactics used to achieve objectives, which show the relationship between objectives and strategy. Note, though, that this framework mainly creates a focus on efficiency of conversion, although there are some effectiveness measures also.

These are some of the generic digital marketing main strategies to achieve the objectives in the grid, which apply to a range of organisations:

- **Online value proposition strategy.** This means defining the value proposition for acquisition and retention to engage with customers online.

Includes informational and promotional incentives used to encourage trial. Also defines programme of value creation through time, e.g. business white papers published on partner sites.

- **Online targeted reach strategy.** The aim is to communicate with relevant audiences online to achieve communications objectives. The communications commonly include campaign communications such as online advertising, PR, email, viral campaigns and continuous communications such as search engine marketing or sponsorship or partnership arrangements. The strategy may involve (1) driving new, potential customers to the company site, (2) migrating existing customers to online channels or (3) achieving reach to enhance brand awareness, favourability and purchase intent through ads and sponsorships on third-party sites. Building brand awareness, favourability and purchase intent on third-party sites may be a more effective strategy for low-involvement FMCG brands where it will be difficult to encourage visitors to the site.
- **Offline targeted reach strategy.** The objective is to encourage potential customers to use online channels, i.e. visit website and transact where relevant. The strategy is to communicate with selected customer segments offline through direct mail, media buys, PR and sponsorship.
- **Online sales efficiency strategy.** The objective is to convert site visitors to engage and become leads (e.g. through registering for an e-newsletter or placing the first item in the shopping basket) to convert them to buy products and maximise the purchase transaction value.
- **Offline sales impact strategy.** The aim is to achieve sales offline from new or existing customers. Strategy defines how online communications through the website and email can influence sales offline, i.e. by phone, mail order or in-store.

Table 4.7 Online performance management grid for an e-retailer

Metric and growth	Reach	Act	Conversion to sale	Customer engagement
Tracking metrics	Unique visitors New visitors Conversation volume	Opportunity volume	Sales volume	Email list quality Email response quality transactions
Performance drivers (diagnostics)	Bounce rate Conversion rate: new visit to start	Macro-conversion rate to lead or	Conversion rate to sale	Active customers (%) (site and email)

	quote Brand/direct visits	opportunity and micro- conversion efficiency	Email conversion rate	active) Repeat conversion rate for different purchases
Customer- centric KPIs	Cost per click and per sale Brand awareness Conversion polarity	Cost per lead Customer satisfaction	Cost per sale Customer satisfaction Average order value (AOV)	Lifetime value Customer loyalty index and advocacy Products per customer
Business- value KPIs	Audience share Share of voice	Online product requests (n, £,% of total)	Online originated sales (n, £,% of total)	Retained sales growth and volume
Strategy	Online targeted reach strategy Offline targeted reach strategy	Lead generation strategy	Online sales generation Offline sales impact strategy	Retention and customer growth strategy
Tactics	‘Always-on’ continuous communications mix Campaign communica tions mix Online value proposition	Usability Personalisation Inbound contact strategy (cus tomer service)	Usability Personalisation Inbound contact strategy (customer service) Merchandising Triggered emails	Database/list quality Targeting Outbound contact strategy (email) Personalisation

Source: Adapted from Neil Mason’s Applied Insights acquisition, conversion, retention approach to the Smart Insights Reach, Act, Convert, Engage framework introduced in [Chapter 1](#).

The case study for this chapter examines a retail example of strategy development.

Case study 4: ASOS shifts the focus of high-street retailing

ASOS has pioneered online social shopping and is one of the most successful online fashion retailers in the UK. ASOS offers tens of thousands of branded and own-label fashion items to millions of twenty-something men and women around the globe. This case study explores the growth and competitive strategy of this iconic online retail fashion brand.

Nick Robertson and Quinten Griffiths, founders of As Seen on Screen (ASOS), were inspired by watching American TV series *Friends*, and these friends set about building a website that could sell items that potential customers had seen on television. Initially, ASOS sold copies of clothing worn by celebrities, but soon the company began developing its own brand. This focus enabled the company to start to build a reputation that was attractive to young fashion shoppers.

Despite industry commentators' doubts about selling clothing online, by 2004 ASOS had introduced its own-label women's wear and since has achieved the following landmarks:

- 2006 – became the first company in the UK to launch online catwalk shows
- 2007 – launched ASOS own-label for men
- 2010 – began expanding internationally into Europe, Russia and USA and established sites to serve these markets and launched ASOS marketplace
- 2011 – app launch and Australian, Italian and Spanish sites established
- 2012 – began to consolidate online expansion, opening international offices in Sydney and New York
- 2015 – partnered with PayPal to connect directly with student markets
- 2016 – invested in Artificial Intelligence and voice recognition to improve social media applications
- 2017 – market valuations made ASOS more valuable than M&S, the UK's largest seller of clothing.

ASOS has grown into the UK's largest online fashion retailer by deploying a competitive strategy, which has established a unique market position: selling a specialist range of products that have 'the designer fashion look'. Nick Robertson, the company's founder, started selling branded clothing as seen in films and on television. Not only did this enable the company the opportunity to create a market, but it also benefited from celebrity endorsements in PR and promotional campaigns. ASOS now sells over 50,000 branded and own-label clothing products and offers a much wider product range than its high-street competitors. ASOS operates as a fast-fashion retailer, which has meant overcoming many challenges to get goods to the customers on time and at the same time manage the high rate of returns. ASOS has set up systems that enable product lines to be replaced quickly. Operating at this level creates many challenges for ASOS, so, in order to deliver the promise of fast designer-look fashion, and to constantly update product ranges, ASOS has established an 'in-house' design team in Europe, which creates catwalk lookalike items that are produced close to the customers, which aids delivery and helps the higher returns rate of operating online rather than in-store. ASOS continues to be 'third-most-visited fashion website on the planet', after [HM.com](https://www.hm.com) and [Zara.com](https://www.zara.com).

Online value proposition

Product choice is at the core of the ASOS proposition: tens of thousands of branded and own-label products available, with hundreds introduced each week. On pricing, ASOS is price

competitive with its Price Promise (a price match offer): if you see a branded (non-ASOS) product cheaper on another website, the company will match that price. ASOS describes its website as ‘evolving constantly as we find better ways of presenting our products’. The essence of the brand communicated in its annual report is ‘restless innovation for our customers’. The main elements that ASOS aspires to are: ‘Inspire and power your fashion discovery’.

Other elements of the ‘brand wheel’ (see [Figure 4.21](#)) are:

- External. The world’s best fashion, the best fashion experience, the service I want, inspire and engage me.
- Internal. Passionate about people, continuous improvement, fashion with integrity.

In 2010 [ASOS.com](#) launched its marketplace platform, enabling boutiques, vintage collectors, individuals and designers – established or unknown – to trade from their own virtual market stalls to customers across the world. It differs from other online marketplaces like eBay and Amazon in that each vendor can customise their shop front and, for £50 each month, will have access to an account manager at ASOS and some premium promotional spots on Marketplace.

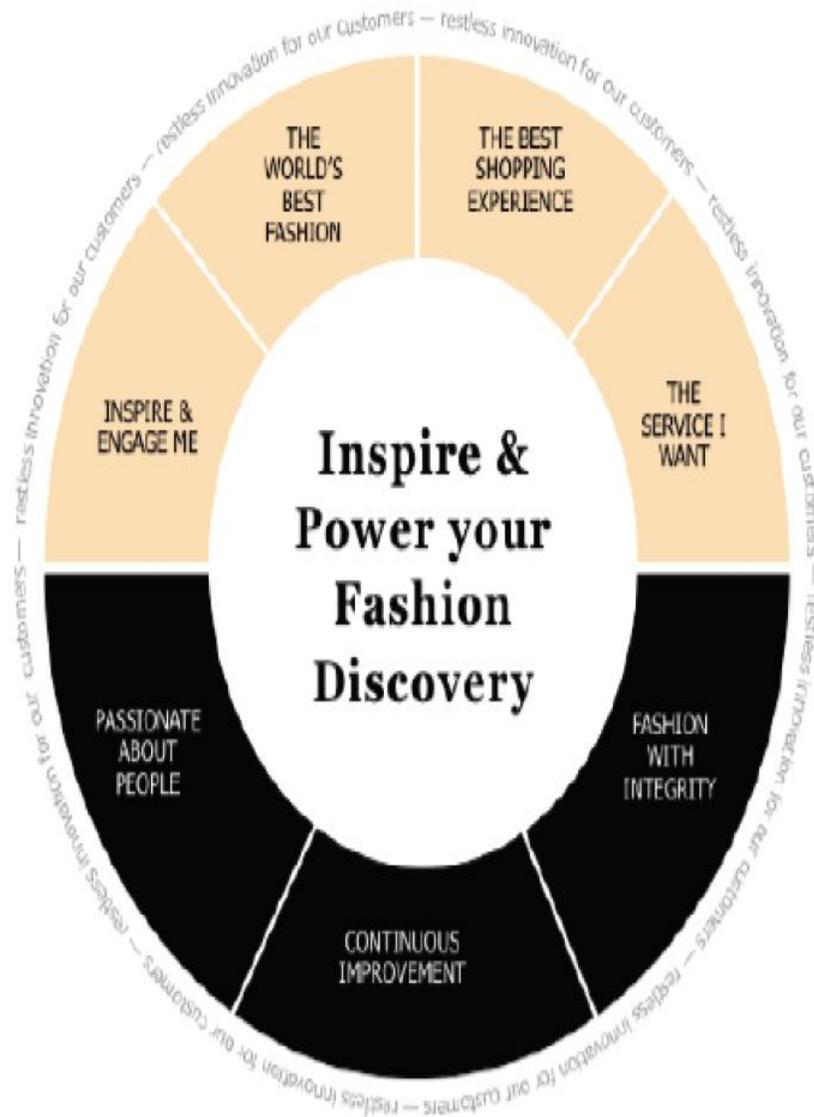
ASOS service

For ASOS, speed and accuracy of deliveries to customers is a critical success factor. By offering same-day deliveries the company has increased sales by 23 per cent in the UK and even more in the EU.

Underpinning these improvements in sales is an innovative ethos that is evident across the company. ASOS invested in a customer contact management system that enables staff to respond to customer care emails more quickly and efficiently. Working with Clipper Logistics, they have introduced an innovative reverse logistics system called Boomerang, which provides quick turnaround on inventory when products are returned. A primary strategic objective is to continually innovate to ‘add convenience and choice for ASOS shoppers’.

Figure 4.21 ASOS brand wheel

WINNING THE GLOBAL ONLINE FASHION RACE



Partnerships

ASOS focuses on its target market and looks for strategic opportunities and initiatives that can strengthen its positioning. Promotional tie-ups and associations are very important to ASOS. In June 2008 the company launched a limited 100-design collaboration with the London College of Fashion. A capsule collection of 100 one-off pieces each sold on the ASOS website. The promotion received media coverage, including two full-page features in the national press. The collection sold out in minutes. The ASOS *fashion discovery* programme, launched in 2016, continues to create opportunities of young designers and students to work on their own labels, which are then stocked by ASOS for at least two seasons.

Marketing communications

ASOS brand magazine has a circulation of nearly 500,000 and reportedly is the ‘most widely read quarterly fashion magazine’. The magazine reaches more than 700,000 when including France, Germany and the US in the circulation figures and this communication vehicle is used to reach out to new markets by expanding the readership.

eWord of mouth is a powerful tool of this brand and able to leverage advantage through links to celebrities and fashion using the ASOS Insider Community, which is a marketing initiative that uses individuals and their fashions insights to build digital content. The ‘authenticity’ of the content generated by the Insiders makes this a very powerful approach to digital communications and also links to their own social media accounts in order to extend the reach and impact of the communications network. These digital influencers not only share their fashion favourites but also have an ‘Outfit of the Day’, which helps drive sales of specific products.

ASOS Foundation is central to the ASOS corporate social responsibility strategy, which again contributes to the brand’s market positioning. The Foundation seeks to support disadvantaged young adults in the UK, India and parts of Africa. Projects involve finding ways to develop sustainable improvements in these areas: a social enterprise in Kenya that works from an eco-factory producing African-inspired fashion designs; education in artisan skills in remote parts of Africa; and working with the Prince’s Trust in the UK to help young people develop the skills they need to get jobs.

Search marketing

The range of terms ASOS targets for search are evident from the <title> and description tags on the home page, which are also used to communicate key brand messages:

```
<title>ASOS | Shop women’s fashion & men’s clothing | Free Delivery & Returns</title>
```

```
<meta name = “Description” content = “Discover the latest in women’s fashion and men’s clothing online. Shop from over 40,000 styles, including dresses, jeans, shoes and accessories from ASOS and over 800 brands. ASOS brings you the best fashion clothes online.”/>
```

Social media marketing

The growth of the company in recent years has largely been driven by social media. ASOS has contributed a great deal to the digital high street. Apart from showing that it is possible to sell fashion online profitably, the company has also pioneered *social shopping*, where customers use online social network sites to share product ideas before they buy. ASOS has successfully used social media to build a community of fashionistas who are prepared to share their views and opinions on Facebook, Twitter and Google Plus and to share ideas of what to wear, giving its young shoppers fashion inspiration. With approaching 12 million followers on social media sites, the company has made a significant commitment to community on its own site through

the ASOS blogs at <https://marketplace.asos.com/community/> and the social network sites where it has over 1.3 million Likes on Facebook. It runs regular promotion events integrated across the social networks but focuses on stories and its Instagram strategy links directly to its influencers and in doing so widens the reach of the brand.

Basket analysis

Basket analysis approaches were described in an interview with marketing and operations director Hash Ladha:

One of the most interesting things we found was that men tend to buy for their partners as well as themselves. We previously thought this might work the other way around. Using this data, email content was generated by the company's in-house editorial team. Generic content included a round-up of current fashion trends and 'best buy' recommendations. The personalised content took into account favourite brands and budget, recommending items below a certain price limit. Emails were sent twice a week. Other strategies, such as encouraging customers to refer a friend to the company, and sending viral campaigns, were also used at this time. Our best customers visit the site every day. Shopping habits do vary, but most customers like to browse the site between spending. A twice-weekly email gives them a direct link straight to the site and keeps it fresh in customers' minds.

ASOS also wanted to lure lapsed customers back to its website. It targeted these individuals with tailored content that aimed to remind them why they had previously shopped online for designer and high-street clothing.

Ultimately, ASOS has developed a large target audience for its products through the use of digital media and it is able to communicate new product ideas very effectively to keep customers interested. ASOS's innovative use of social media has enabled it to influence the way young shoppers interact with online fashion retailers. Moreover, this is likely to be a massive growth area and social shopping is likely to continue to reshape the way we shop for the foreseeable future. Always keen to be ahead of the competition, the main thing for the ASOS team is being where their customers are and being able to engage in the dialogue.

Sources: ASOS (2011, 2013); BBC (2013); Kollwe, (2014); Wood, (2017); Armstrong, (2016); Logistics Manager (2018); Kakar (2018).

Questions

1. Apply the SOSTAC model to ASOS and highlight why it has become such a successful online fashion brand.
2. Describe how ASOS uses elements of the marketing mix as part of its digital strategy.
3. Discuss how ASOS has used digital to develop its differentiated market position.

Summary

1. The development of the online presence follows stage models from basic static 'brochureware' sites through simple interactive sites with query

- facilities to dynamic sites offering personalisation of services for customers.
2. The digital marketing strategy should follow a similar form to a traditional strategic marketing planning process and should include:
 - goal setting;
 - situation review;
 - strategy formulation;
 - resource allocation and monitoring.

A feedback loop should be established to ensure the site is monitored and modifications are fed back into the strategy development.

3. Strategic goal setting should involve:
 - setting business objectives that the Internet can help achieve;
 - assessing and stating the contribution that digital will make to the business in the future, both as a proportion of revenue and in terms of whether digital will complement or replace other media;
 - stating the full range of business benefits that are sought, such as improved corporate image, cost reduction, more leads and sales, and improved customer service.
4. The situation review will include assessing internal resources and assets, including the services available through the existing website.
5. Strategy formulation involves defining a company's commitment to digital, setting an appropriate value proposition for customers and identifying the role of the digital channels in exploiting new markets, marketplaces and distribution channels and in delivering new products and services. In summary:
 - Decision 1: Market and product development strategies.
 - Decision 2: Business and revenue models strategies.
 - Decision 3: Target market strategy.
 - Decision 4: Positioning and differentiation strategy (including the marketing mix).
 - Decision 5: Customer engagement and social media strategy.
 - Decision 6: Multichannel distribution strategy.
 - Decision 7: Multichannel communications strategy.
 - Decision 8: Online communications mix and budget.
 - Decision 9: Organisational capabilities (7S framework).

Exercises

Self-assessment exercises

1. How does a digital market strategy integrate with corporate and marketing strategies?
2. What is the role of monitoring in the strategic planning process?
3. Summarise the main tangible and intangible business benefits of digital channels to a company.
4. What is the purpose of a digital marketing audit? What should it involve?
5. What does a company need in order to be able to state clearly in the mission statement its strategic position relative to the Internet?
6. What are the market and product positioning opportunities offered by digital channels?

Essay and discussion questions

1. Discuss the frequency with which a digital marketing strategy should be updated for a company to remain competitive.
2. 'Setting long-term strategic objectives for a website is unrealistic since the rate of change in the marketplace is so rapid.' Discuss.
3. Explain the essential elements of a digital marketing strategy.
4. Discuss the extent to which the nine key strategy decisions are important to a new online retail business.

Examination questions

1. The digital environment is disruptive, volatile and highly susceptible to change. Strategy involves long-term planning and future resource allocation. Discuss the conflicts raised by these two statements for a firm planning its future digital strategy.
2. Discuss the extent to which Porter's five forces remains relevant in the digital era.
3. Briefly explain the purpose and activities involved in an external audit conducted as part of the development of a digital marketing strategy.
4. Explain what is meant by the online value proposition and give two examples of the value proposition for online businesses of your choice.
5. Imagine you are the marketing director for a high-street fashion retailer:
 - a suggest how you would evaluate the threats posed by online retailers;
 - b outline and justify the objectives you would set for a digital strategy designed to combat these threats.

6. For a company of your choice, devise a digital marketing strategy.

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Chapter 5

Digital media and the marketing mix

Chapter at a glance

Main topics

- Product
- Price
- Place
- Promotion
- People, process and physical evidence

Case study

Case study 5: Spotify streaming develops new revenue models

Learning objectives

After reading this chapter, you should be able to:

- Apply the elements of the marketing mix in an online context
- Evaluate the opportunities that the Internet, digital media and technology make available for varying the marketing mix
- Assess the opportunities for online brand-building.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- How are the elements of the marketing mix varied online?
- What are the implications of the Internet for brand development?
- Can the product component of the mix be varied online?
- How are companies developing online pricing strategies?
- Does 'place' have relevance online?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 2](#) introduces the impact of the Internet on market structure and distribution channels.
- [Chapter 4](#) describes how digital marketing strategies can be developed.
- [Chapters 6 and 7](#) explain the service elements of the mix in more detail.
- [Chapter 7](#) explains how site design can be used to support and enhance brand values.
- [Chapters 8 and 9](#) explain the promotion elements of the mix in more detail.

Introduction

This chapter shows how the traditional **marketing mix** can be applied to inform digital marketing and builds on key issues associated with digital marketing strategy (in more detail than was possible in [Chapter 4](#)). As part of our discussion of product we review how digital media, data and technology can support how brands are developed. The chapter is structured by looking at each element of the marketing mix in turn and reviewing the implications of digital technology. **Online branding** is covered under ‘Product’.

Marketing mix

The series of seven key variables – **Product, Price, Place, Promotion, People, Process and Physical evidence** – that are varied by marketers as part of the customer offering.

Online branding

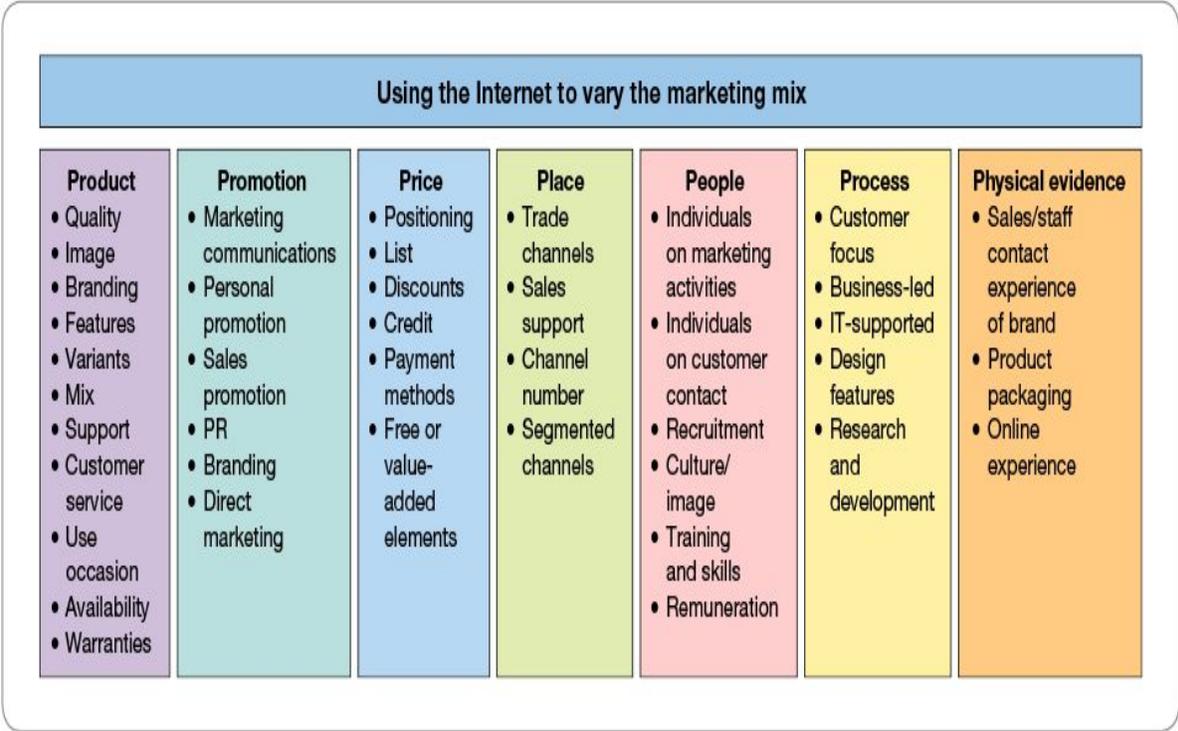
How online channels are used to support brands that, in essence, are the sum of the characteristics of a product or service as perceived by a user.

What is the marketing mix?

Marketers will be familiar with the marketing mix, but this introduction is included for context for those digital marketers who are unfamiliar with it. The marketing mix – widely referred to as the 4Ps of Product, Price, Place and Promotion – was originally proposed by Jerome McCarthy (1960) and is still used as an essential part of formulating and implementing marketing strategy by

many practitioners. The popularity of the mix as a guide for the application of marketing techniques is driven by the apparent simplicity of the framework. However, in the 1980s the 4Ps was challenged for not referencing the importance of customer service. The result was that the mix was extended to 7Ps, which includes three further elements (the service mix) that better reflect service delivery: People, Process and Physical evidence (Booms and Bitner, 1981). Some writers argue that the service mix should be subsumed within the 4Ps. Figure 5.1 summarises the different sub-elements of the 7Ps. Since the 1990s there have been more changes in marketing thinking and research and the outcome has been a shift in emphasis in the application of the marketing mix towards the development of relationship building. Some writers even argue that this is a paradigm shift, altering the underlying marketing philosophy guiding the application of marketing tools and concepts (Berry, 2008). Whereas others suggest the move to more relationship-orientated marketing is in response to growing customer demands and increasingly complex technology-driven trading environments (Singh *et al.*, 2011).

Figure 5.1 The seven elements of the marketing mix



Note that the marketing mix concept has been criticised for not being customer-centric. Lautenborn (1990) suggested the 4Cs framework, which considers the 4Ps from a customer perspective. In brief, the 4Cs are:

- customer needs and wants (from the product);
- cost to the customer (price);
- convenience (relative to place);
- communication (promotion).

It is not the aim of this text to debate current thinking on marketing philosophy, but it is important to acknowledge the rise in importance of relationship building as this is key to the application of digital marketing strategies and the application of the marketing mix shown in [Activity 5.1](#).

Digital media and technology provide many new opportunities for the marketer:

- to vary the application of the marketing mix;
- to develop new routes to delivering competitive advantage;
- to create new market positions;
- to build and service relationships in increasingly innovative ways;
- to cut through the barriers of time and space and offer continuous and instantaneous access to products and services.

Think about these opportunities while tackling [Activity 5.1](#).

Activity 5.1: How can digital media and technology be used to vary the marketing mix?

Purpose

To highlight the scope for applying digital technology as a strategic marketing tool.

Activity

Review [Figure 5.1](#) and select two opportunities that give potential for varying the marketing mix. For each opportunity suggest how each of the elements of the mix ([Figure 5.1](#)):

- provide new opportunities for varying the mix;
- give rise to possible negative implications (threats) for each opportunity;
- create opportunities to use the mix to develop relationships.

Digital marketing affects all aspects of the traditional and service marketing mix, and in this chapter we explore:

- **Product:** looking at opportunities for modifying the core or extended product for digital environments.
- **Price:** focusing on the implications for setting prices in digital markets; new pricing models and strategies.
- **Place:** considering the implications for distribution for digital marketing.
- **Promotion:** exploring promotional techniques in advance of more detailed coverage of new techniques in Chapters 8 and 9.
- **People, process and physical evidence:** reviewing the principal ideas in advance of more detailed discussion in Chapters 6, 7 and 10, where the focus is on how these elements of the mix relate to customer relationship management and managing an organisation's digital presence.

Essential digital skills: Applying the marketing mix to digital marketing

The techniques that businesses apply to the marketing mix are sector dependent and are best learned through experience of working in these sectors. To build your knowledge, we recommend you consider different types of business that you interact with and think about how they apply marketing to vary their proposition and add value to their brands. Types of businesses to review where you may work in future, as explained in [Chapter 1](#), are:

- transactional e-commerce businesses (retail, travel, financial services);
- relationship-building businesses that do not transact online, (such as B2B lead generation) and high-value consumer products (such as laser eye treatment);
- consumer brands, some of which may not transact online through their own e-commerce site (e.g. food and drink), or those that may sell direct through an e-commerce site (e.g. clothing, hardware manufacturers) or online marketplace (e.g. Amazon or eBay);
- publishers and social networks – companies that can offer digital products such as streaming and downloads have been transformed by digital channels.

Practical ideas to boost employability by showcasing your interests and experiences:

- include benchmarks in your assignment where competitors are compared based on differences in their brand-value proposition and online marketing mix;
- explore different frameworks to assess brand identity and digital brand experience (such as WebQUAL, which is covered in [Chapter 7](#))
- develop copywriting skills that create compelling product descriptions and describe brands in the appropriate tone of voice – see the Mailchimp

(<https://styleguide.mailchimp.com/voice-and-tone/>) and Macmillan brand guidelines (<http://be.macmillan.org.uk/AboutOurBrand/Home.aspx>) for examples.

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Product

The **product variable** of the marketing mix refers to characteristics of a product, and has implications for service or branding. Product decisions should be informed by market research where customers' needs are assessed and the feedback is used to modify existing products or develop new products. There are many alternatives for varying the product in the online context when a company is developing its digital strategy; product decisions can usefully be divided into decisions affecting the **core product** and the **extended product**. The core product refers to the main product purchased by the consumer to fulfil their needs, while the extended or augmented product refers to additional services and benefits that are built around the core of the product.

Product variable

The element of the marketing mix that involves researching customers' needs, developing appropriate products and communicating their features and benefits.

Core product

The fundamental features of the product that meet the user's needs.

Extended product

Additional features and benefits beyond the core product.

The main implications of digital technology for the product element of the mix are:

1. options for varying the core product;
2. options for offering digital products;
3. options for changing the extended product;
4. conducting research online;

5. speed of new product development;
6. speed of new product diffusion.

1 Options for varying the core product

For some companies, there may be options for new digital products that will typically be information products that can be delivered over the web. Originally, Ghosh (1998) talked about developing new products or adding ‘digital value’ to customers. The questions he posed still prove useful today:

- *Can I offer additional information or transaction services to my existing customer base?* For example, a fashion retailer can provide customer reviews, fashion previews and personal digital shopping assistants such as shoptagr (www.shoptagr.com). A travel company can provide video tours of resorts and feedback reviews of the accommodation and its facilities.
- *Can I address the needs of new customer segments by repackaging my current information assets or by creating new business propositions using the Internet?* For example, many products can have accompanying ebooks, videos and tutorials to inform customers. Fashion brand Rebecca Minkoff™ offers ‘Connected Bags’, which gives each item a digital identity in the cloud that, when accessed, will unlock exclusive offers, e-commerce services, private styling sessions with Rebecca, style recommendations, video content, an invitation to the following show and elite experiences to enjoy with lifestyle partners. It will also automatically qualify the customer for a loyalty programme (Forbes, 2017).
- *Can I use my ability to attract customers to generate new sources of revenue such as advertising or sales of complementary products?* Lastminute.com, Booking.com and trivago.com are all web companies that sell travel-related services, but also generate significant advertising revenue.
- *Will my current business be significantly harmed by other companies providing some of the value I currently offer?* Consider the consequences if competing companies digitally adapt their products in order to develop a stronger market offer. Waterstones™, the UK’s largest bookseller, has to compete with Amazon, and even though it trades online its global reach and product catalogue is not as extensive as that provided by Amazon.

Some of the markets transformed most by the Internet are those where products can be transformed into digital services, such as music (downloading or streaming of digital tracks), books (ebooks), newspaper and magazine

publishing (online access to articles), software, videos and films (digital downloads and online subscription services – see [Digital marketing insight 5.1](#)) such as Amazon Prime™, Netflix™ and Spotify™ (See the case study at the end of the chapter for further discussion of subscription services.)

Digital technology also introduces options for **mass customisation** of products, particularly digital products or products that can be specified online. The Internet has provided a channel through which manufacturers can not only sell the personalised products but also use the Internet as a source of information for developing highly targeted products. For example, ASOS has revolutionised the way *fashionistas* shop in the UK (and around the globe). ASOS introduced the ‘catwalk view’, where fashion-hungry online shoppers can watch products being walked down the runway before they buy. The brand also sells fashionable clothing from a range of designers and its own in-house team. Its business model relies on quick turnover of ‘on trend’ fashion items to the mid and lower ends of the clothing market (see the case study at the end of [Chapter 4](#) for further discussion of ASOS).

Mass customisation

Using economies of scale enabled by technology to offer tailored versions of products to individual customers or groups of customers.

Mass customisation (Davis, 1997; Pine, 1993) has been heralded as a business strategy, which derives benefits from the personalisation of products in which a customer takes a more active role in product design (Kamail and Loker, 2002).

Companies can also consider how the Internet can be used to change the range or combination of products offered. Some companies, such as fashion retailers, may only offer a subset of products online, whereas furniture retailers may use their website to expand their ranges and customer choice. **Bundling** is a further alternative, bringing together a range of products. Koukova *et al.* (2008) found that the Internet has encouraged the bundling of information-based products, such as newspapers, books and music videos, in physical and digital formats. Sky Cinema has used this approach and the Disney Corporation has purchased Fox’s film and TV assets to launch a new streaming service to rival Netflix (Barnes, 2017), and may bundle together digital services. The benefits for the sellers are that digital products provide opportunities to leverage advantage as there are marginal costs involved with supplying digital versions and considerable cost savings if customers switch to the digital offer. Therefore, the

introduction of physical and digital product bundles offers much scope for new approaches to product delivery and pricing strategies (Koukova *et al.*, 2008).

Bundling

Bundling combines several product or service options into a package of services, typically at a discounted price.

Finally, websites and mobile apps provide a platform for providing information about the core features of the product. However, the availability of information can impact on price as the price has become more transparent. Comparison sites such as Comparethemarket.comTM enable online shoppers to assess the price of car insurance, for example, from many suppliers in one location.

2 Options for offering digital products

Publishers, TV companies, media owners and other companies that can offer digital products such as published content, music or videos now have great flexibility to offer a range of product purchase options at different price points, including:

- **Subscription.** This is a traditional publisher revenue model, but subscription can potentially be offered for different periods (for example, three months, twelve months or two years) and at different price points.
- **Pay-per-view.** A fee for a single download or viewing session at a higher relative price than the subscription service – for example, music products from iTunes. Customers can enjoy instant download in a similar way to a mobile company ‘pay-as-you-go’ model. Travel publisher Lonely Planet enables visitors to a destination to download an introduction for a fraction of the price of a full printed guide.
- **Bundling.** Different channels or content can be offered as individual products or grouped at a reduced price compared to pay-per-view.
- **Ad-supported content.** There is no direct price set here. Instead, the publisher’s main revenue source is through adverts on the site (CPM display advertising on-site using banner ads and skyscrapers), a fixed sponsorship arrangement or CPC, which stands for ‘cost-per-click’ – more typical when using search ad network publishing, such as Google AdSense, which makes a significant contribution to Google’s revenue.

Other options include affiliate revenue from sales on third-party sites or offering access to subscriber lists.

The digitisation of products presents opportunities to some industries and threats to others. Newspapers are an example of an industry where the Internet has had a far-reaching impact. Most popular quality newspapers are now successfully using subscription-based business models to maintain their readership. Indeed, *The Guardian*, *The Daily Telegraph* and *The Independent* (popular UK newspapers) have a larger online readership than the equivalent print versions (Reid, 2014). However, the increase in fake news articles has revived interest in traditional media brands, in part due to many of these media brands having longstanding heritage and being more trusted than the newer digital brands (Moody, 2017).

3 Options for changing the extended product

When a customer buys a new computer or mobile phone it consists not only of the tangible product, and peripheral devices, but also the information provided by the salesperson, the instruction manual, the packaging, the warranty and the follow-up technical service. These are elements of the extended product. Chaffey and Smith (2012) suggest examples of how the Internet can be used to vary the extended product:

- endorsements;
- awards;
- testimonies;
- customer lists;
- customer feedback;
- warranties;
- guarantees;
- money-back offers;
- customer service (see [people, process and physical evidence](#));
- incorporating tools to help users during their selection and use of the product.

<p>Digital marketing insight 5.1: Digital players enter Hollywood?</p>

Digital media and technology has radically changed the way we watch movies. Until recently, the film industry has not been as significantly affected by the shift towards digitisation as the music and newspaper industries have, but that is all about to change. While the Internet has potentially all but eliminated the distribution costs for film-makers, the industry has otherwise been protected due to the high costs of film production (Levine, 2014). However, at Amazon Studios, individuals are invited to submit a script, a video or an idea for a comedy series (Amazon Studios, 2015) and the successful ones are then produced, and you can also become a reviewer of existing productions. Amazon has aggressively expanded its offer in the world of film production but not to the same extent as its major competitor Netflix. Netflix is cited as ‘the world’s largest online TV network’, spending billions of dollars not only producing movies (which are only shown online) but also on promotion of these blockbuster productions.

Traditionally, the movie industry had relatively high entry barriers, due to distribution and production costs, and other contractual barriers. Digital companies such as Amazon, and Netflix, and other relatively new entrants, have been seeking to change the rules and others are set to follow.

Netflix has become so successful that it is now able to attract, leading Hollywood writers, producers and actors and has begun winning industry awards. Over the next year this digital new entrant to the movie industry is planning to release over 80 films, and while many of these will be low-production-cost comedies and dramas, it also plans for its major movie releases to compete with the major studios (Shaw, 2017).

Once customers are attracted to a site and have begun to learn about the brand then the companies can offer freemium content (which, as the name suggests, is free) or sample content or trial products. Through providing freemium content, more customers will be encouraged to enter into a paid-for relationship with the organisation. In other cases, a premium may be charged for innovative new services – for example, at Amazon Web Services offers for new (qualifying) customers include unlimited capacity for support of software, data migration, streaming and Cloud Computing services (<https://aws.amazon.com>).

4 Conducting research online

Digital channels provide many options for learning about product preferences and it can be used as a relatively low-cost method of collecting marketing research, particularly when trying to discover customer perceptions of products and services. Sawhney *et al.* (2005) have reviewed the options for using digital media for new product innovation where they contrast the traditional new product research process with a digitally augmented co-creation process. They suggest that online research tools should be evaluated according to how they can be used: (1) front-end developments of ideation and concept against back-end developments involving product design and testing, and (2) the nature of collaboration – broad/high reach against deep/high richness.

Options for performing new product development research online include:

- **Online focus group.** A moderated focus group can be conducted to compare customers' experience of product use. Many companies now have permanent customer panels they can use to ask about new ideas.
- **Online questionnaire survey.** These typically focus on the site visitors' experience, but can also include questions relating to products.
- **Social media listening.** Comments mentioned in social media can be added alongside customer feedback and support forums.
- **Customer feedback or support forums.** Comments posted to the site or independent sites such as social networks may give suggestions about future product innovation. Freshworks™ freshchat messaging is a new product that helps companies to use live chat to improve target marketing and lead conversion for businesses ([freshworks.com](https://www.freshworks.com)). This platform enables a company to communicate and collaborate inside and outside the company. The platform also has the capacity to integrate with CRM, e-commerce and analytics systems.
- **Web analytics.** A wealth of marketing research information is also available from response data from email and search campaigns and the website itself, since every time a user clicks on a link offering a particular product, this indicates a preference for products and related offers. Such information can be used indirectly to assess customers' product preferences.

5 Speed of new product development

Digital channels give instant access to target markets and provide platforms, which enable new products to be developed more rapidly as it is possible to test new ideas and concepts and explore different product options through online market research. Companies can use their own panels of consumers to test opinion more rapidly and often at lower costs than for traditional market research. Another aspect of the velocity of new product development is that the network effect of the Internet enables companies to form partnerships more readily in order to launch new products.

6 Speed of new product diffusion

In the early days of the Internet, Quelch and Klein (1996) noted that to remain competitive, organisations would have to roll out new products more rapidly to international markets. Additionally, Malcolm Gladwell, in his book *The Tipping*

Point (2000), emphasised the importance of word-of-mouth communication on the impact of the rate of adoption of new products, especially through the Internet. In [Chapter 9](#), we will see how marketers seek to influence this effect through what is known as ‘viral marketing’.

Marsden (2004) provides a good summary of the implications of the **tipping point** for marketers. He says that ‘using the science of social epidemics, *The Tipping Point* explains the three simple principles that underpin the rapid spread of ideas, products and behaviours through a population’. He advises how marketers should help create a ‘tipping point’ for a new product or service – the moment when a domino effect is triggered and an epidemic of demand sweeps through a population like a highly contagious virus.

Tipping point

Using the science of social epidemics explains principles that underpin the rapid spread of ideas, products and behaviours through a population.

There are three main laws that are relevant from *The Tipping Point*:

1 The law of the few

This suggests that the spread of any new product or service is dependent on the initial adoption by ‘connectors’ who are socially connected and who encourage adoption through word of mouth and copycat behaviour. In an online context, these connectors may use personal blogs, email newsletters and podcasts to propagate their opinions.

2 The stickiness factor

Typically, this refers to how ‘glued’ we are to a medium such as a TV channel or a website, but in this context it refers to attachment to the characteristics and attributes of a product or a brand. Gladwell stresses the importance of testing and market research to make the product effective. Marsden suggests that there are certain cross-category attributes that are key drivers for product success – for example:

- **Excellence:** being perceived as best of breed;
- **Uniqueness:** clear one-of-a-kind differentiation;
- **Engagement:** fosters emotional involvement;
- **Cost:** perceived value for money.

3 The power of context

Gladwell (2000) suggests that, like infectious diseases, products and behaviours spread far and wide only when they fit the physical, social and mental context into which they are launched. He gives the example of a wave of crime in the New York subway that came to an abrupt halt by simply removing the graffiti from trains and clamping down on fare-dodging. It can be suggested that products should be devised and tested to fit their context, situation or occasion of use.

The long tail concept

The **long tail concept** is useful when considering products and market opportunities. The phenomenon, now referred to as the ‘long tail’, following an article by Anderson (2004), was arguably first applied to human behaviour by George Kingsley Zipf, professor of linguistics at Harvard, who observed the phenomenon in word usage. He found that if the variation in popularity of different words in a language is considered, there is a systematic pattern in the frequency of usage or popularity. Zipf’s ‘law’ suggests that if a collection of items is ordered or ranked by popularity, the second item will have around half the popularity of the first one and the third item will have about a third of the popularity of the first one and so on (Newitz, 2013). In general:

Long tail concept

A frequency distribution suggesting the relative variation in popularity of items selected by consumers.

The k th item is $1/k$ the popularity of the first.

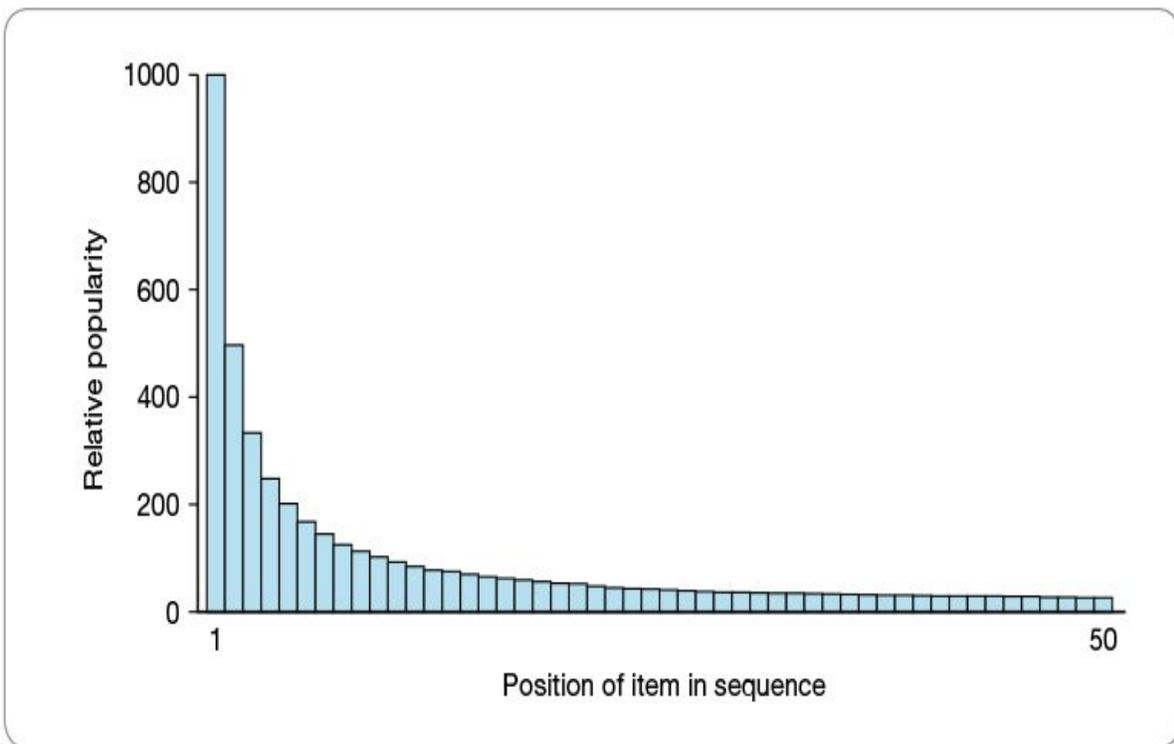
Look at [Figure 5.2](#), which shows how the ‘relative popularity’ of items is predicted to decline according to Zipf’s law from a maximum count of 1,000 for the most popular item to 20 for the 50th item.

In an online context, application of this ‘law’ is now known as ‘the long tail’ thanks to Anderson (2004). It can be applied to the relative popularity of a group of websites or web pages or products on an individual site, since they tend to show a similar pattern of popularity. There are a small number of sites (or pages within sites) that are very popular (known as ‘the head’, which may account for 80 per cent of the volume) and a much larger number of sites or pages that are less popular individually, but still collectively important.

Returning to the product context, Anderson (2004) argued that for a company such as Amazon, the long tail (or Zipf's law) can be applied to describe the variation in preferences for selecting or purchasing from a choice of products as varied as books, CDs, electronic items, travel or financial services. This pattern has also been identified by Brynjolfsson *et al.* (2003, 2010), who presented a framework that quantifies the economic impact of increased product variety made available through electronic markets, and they suggest that the long tail approach is also useful for approximating market – sales relationships. They say:

One reason for increased product variety on the Internet is the ability of online retailers to catalogue, recommend, and provide a large number of products for sale. For example, the number of book titles available at [Amazon.com](https://www.amazon.com) and Amazon's Kindle store has over 90,000 titles available, which is many times larger than the number of books on the shelves of a typical Barnes & Noble superstore, and the number of books stocked in a typical large independent bookstore.

Figure 5.2 Zipf's law, showing decrease in popularity of items within an ordered sequence



Looking at the issue from another perspective, they estimate that 40 per cent of sales are from relatively obscure books with a sales rank of more than 100,000 (if you visit Amazon, you will see that every book has a sales rank from 1 for the most popular to over 1 million for the least popular). This indicates the importance of the long tail for online retailers such as Amazon, since 40 per cent of sales are from these less popular books that cannot be stocked in a conventional bookstore (a large real-world book store would typically hold about 100,000 books). In a Pricing context, another benefit for online retailers is that less popular products cannot be readily obtained in the real world, so Amazon can justify higher prices for these books. Brynjolfsson *et al.* (2003) estimated that average Amazon prices for an item in the top 100,000 is \$29.26 and in less popular titles \$41.60.

Branding in a digital environment

Branding is important online and offline as it helps customers differentiate between products and services from different manufacturers and producers. Furthermore, branding is how companies set themselves apart from their competitors. Perhaps most importantly, ‘branding affects perceptions since it is well-known that in blind product testing consumers fail to distinguish between brands’ (Jobber and Ellis-Chadwick, 2016). Consequently, how a brand is developed and presented online is particularly important because a website visitor has limited physical cues to help form an opinion about a company and its services, such as talking to a sales representative or the ambiance of the physical store. Branding can add value across the supply chain, act as a barrier to competition, increase consumer trust and generate high levels of profitability.

Branding

Branding is the process by which companies distinguish their product offerings from the competition by the sum of the characteristics of the product or service as perceived by the customer.

Before examining online brands, let’s consider the fundamentals of branding. A brand is far more than the name or logo associated with a company or products. Traditionally, manufacturers and producers develop their products and services into brands in order to create unique market positions in the minds of their customers (Jobber and Ellis-Chadwick, 2016). From a manufacturer’s perspective, at a basic level, there are product categories such as washing power, soup, cars and computers. To identify a unique position – within such

basic categories – a manufacturer builds a brand around the basic core product in order to distinguish their offering from the competition. Unilever™, global manufacturer of many well-known household brands, produces the Persil brand, while its rival Procter & Gamble™ produces the Ariel brand. Each brand can then be divided into variants, which extend customer choice within the brand. In addition to manufacturer brands, there are also own-label brands (e.g. Sainsbury's *basics*), which are brands developed by distributors (in this case UK supermarket Sainsbury's). Own-label brands often provide lower-cost alternatives to the customer than the category leader brands, which are often highly priced.

For physical products, brand producers take the core product, create a brand name and image and then augment the product through service, guarantees, design quality, packaging and delivery. The result is customers can then choose between brands by selecting those that best suit their needs and wants. However, it is not only manufacturers and products that should be concerned with online branding. All businesses are perceived as brands and the online presence is increasingly important in governing brand perception. The company's website, mobile apps and social media presence all affect the perception of the brand and are part of the experience of a brand (see [Chapter 7](#)). Social media provide a new platform to interact with brands.

A key concept at the heart of creating a brand is positioning and, according to Jobber and Ellis-Chadwick (2016), 'creating a unique position in the marketplace involves a careful choice of target market and establishing a clear differential in the minds of the people'. Brands Organisations are able to get into the minds of the customers, to position their brands, using a range of brand elements contributing to **brand equity**:

- brand domain – key target markets, where the brand competes;
- brand heritage – the background and culture of the brand;
- brand values – the core characteristics, e.g., price, quality, performance;
- brand assets – distinctive names, symbols, images;
- brand personality – the character of the brand;
- brand reflection – how the customer perceives themselves as a result of buying the brand.

Brand equity

The assets (or liabilities) linked to a brand's name and symbol that add to (or subtract from) a service.

These principles of branding apply on- and offline, but online brands increasingly need to ensure integration between the perception of their offer in both digital and physical environments. For example, the supermarket brand Tesco™ has developed [Tesco.com](https://www.tesco.com) and has been able to leverage some advantage from its long-established offline brand to build credibility online. Since 1995, Tesco has grown its online offer into becoming one of the world's largest online grocery retailers and the UK leads the way in this sector online (Dunning, 2017). The Tesco brand's success can be attributed to maintaining the quality of the service on- and offline by using all the traditional elements of brand building to position [Tesco.com](https://www.tesco.com). Migrating a brand in the other direction from online to offline is not as straightforward. Now read [Mini case study 5.1](#) to find out more.

For startup and established online brands, the issue of branding is more complex. The Internet and digital technologies have changed the global brand landscape. Since 1998, online brands have emerged and become household names in less than 15 years – e.g. Google, Amazon, eBay and Facebook (Interbrand, 2014). Digital technology has also brought distinctive features to the online **brand experience** (Morgan-Thomas and Veloutsou, 2013). An online brand is very similar to its offline counterparts insofar as it incorporates a name, set of symbols and product/service components. But, according to Morgan-Thomas and Veloutsou (2013), the major difference is the context in which the customer experiences the brand. Online context tends to be:

- information rich;
- dynamic;
- characterised by excessive information flows;
- technologically innovative.

Brand experience

The frequency and depth of interactions with a brand can be enhanced through the Internet.

These authors (Morgan-Thomas and Veloutsou, 2013) expand further on the implications for online brand experiences. On the negative side, the virtual nature of the digital marketplace means there is a lack of physical cues and heightened challenges due to the intangibility of the environment and increased uncertainty of what engaging in an online experience will deliver. However, on

the positive side, digital environments create opportunities for increased interactivity and real-time brand experiences, which can be empowering for the customer. Therefore, an online brand should seek to build links with customers by delivering positive online experiences, which then lead to satisfaction and positive intentions to interact with the brand in the future.

Mini case study 5.1: Expansion of an online brand offline

According to Bravo *et al.* (2011), ‘in recent years the offline and online spheres of strategic brand management are becoming more and more interconnected’. Part of the reason for this is that when offline companies decide to sell their product online they also need to establish the logistical and technical networks to support the operation. However, as companies seek to commercialise their products by using digital channels, the crossover from offline to online can lead to the creation of new online products and extend a brand’s reach to a wider target audience. By operating offline, brands can build value in both environments, by extending their existing brand. For an offline brand a core reason for expanding online is accessing new markets, adding customer value and increasing flexibility through the use of multichannels. According to Burt (2010), established brands are ‘getting more, rather than less important’. However, for a brand moving from online to offline, the focus and opportunities are slightly different. Online brands can create awareness for their product and service offers and it may be possible to enhance consumer trust in the online brand (Delgado and Hernandez, 2008). But online brands must *get it right* if they are to enhance their brand positioning by going offline. Amazon have been experimenting with physical stores using an innovative format: completely automated stores called AmazonGo. The first of these new concept stores is in Seattle, and it has no cashiers or self-service scanners; instead there are hidden technology devices, which are able to record every item a shopper takes from the shelves and puts into their bags. These items are held in a virtual shopping basket until the shopper has finalised their purchases, then as they leave the store their Amazon account is automatically charged (Wingfield, 2018). Arguably, Amazon is seeking to bring the convenience of online, offline.

Consequently, positioning online brands requires marketers to think creatively about the traditional elements of a brand and also consider new elements:

- **Online brand domain.** Where the brand competes. Google has established and maintained its market-leading position in the search engine marketplace by following the company’s mission to ‘organise the world’s information and make it universally accessible’.
- **Online brand heritage.** Guinness is a brand with heritage going back over 200 years; use of the Internet has only been possible on a commercial scale

since 1989, so online brands must look for other ways to develop their heritage. One way to do this is by offering genuine value. Online brands can get very close to their customers through use of digital technology and should seek to develop genuinely valuable relationships.

- **Online brand values.** The core characteristics that users of the brand value. For example, AltaVista (launched 1995) was an early free search engine, which originally provided a clean user interface similar to Google's. But AltaVista soon lost market share when its search experience was rated lower than that of its new rival Google and it added other new services rather than focusing on the core deliverables the brand had to offer. It is important for online brands to emphasise the benefits of engaging with the brand and also to develop a unique personality that is engaging and shareable (Brown, 2014).
- **Online brand assets.** Distinctive names, symbols, images. Twitter is an example of an online brand name that is distinctive, and with the bird symbol the brand assets help its users quickly assimilate with the brand. It is important to ensure that a company presents a standardised message at whatever touchpoint they interact with the online brand (Brown, 2014).
- **Online brand personality.** The character of the brand, which its customers use to determine the added value offered by the brand and also to express their own individual personalities through association with the brand (Valette-Florence *et al.*, 2011). Online brands need to understand their brands from the customer's perspective.
- **Online brand reflection.** How the customer perceives themselves as a result of buying the brand. Being authentic and transparent about what the brand stands for is important if an online brand is to create positive brand associations.

We return to the concept of brand promise at the start of [Chapter 7](#), since this is closely related to delivering customer experience.

Success factors for brand sites

In [Chapter 1](#), we identified a 'brand website' as one of five classes of website or parts of sites that support different organisational goals. Although other types of sites were mentioned, including transactional sites, relationship-building sites, portals and social networks, all seek to provide a favourable brand experience. In the case of manufacturer 'brand sites', the manager of the site needs to think carefully of the best way the brand can engage with consumers given the lack of content naturally associated with low-involvement products.

For the site itself, it is not the quantity of visitors that is important; rather it is about the quality of visitors, since brand sites are most likely to attract **brand advocates**, who can be important in influencing others to make them aware of the brand or trial the brand. Ries and Ries (2000) suggested that it is important that brand sites provide a home for the brand loyalists and advocates. It follows that brand owners should determine the type of content on a brand site that will encourage brand loyalists (and also the brand-neutral consumer) to visit and then return to the brand site. Flores (2004) said that encouraging visitors to return is key, and he suggests different aspects of a quality site experience to achieve this. Some of the methods he suggests to encourage visitors to return include:

- *Creating a compelling, interactive experience including rich media that reflects the brand.* The research by Flores (2004) showed that a site that delivers an unsatisfactory experience will negatively affect brand perception.
- *Considering how the site will influence the sales cycle by encouraging trial.* Trial will often be fulfilled offline, so approaches such as samples, coupons or prize draws can be used. These response activators should be integrated throughout the site. For example, car brands will all have prominent options for taking a test drive, receiving a brochure or the option to win a car or a visit to a race circuit.
- *Developing an exchange (permission marketing) programme on your website to begin a 'conversation' with the most valuable customer segments.* Permission-based email or text messages can be used to update consumers about new products or promotions.

Brand advocate

A customer who has favourable perceptions of a brand who will talk favourably about a brand to their acquaintances to help generate awareness of the brand or influence purchase intent.

Additionally we would stress the importance of achieving customer engagement with brand sites to encourage participation or co-creation of content. For example, brands can encourage users to share and submit their comments, stories, photos or videos. Once engaged in this way, visitors are more likely to return to a site to see others' comments.

The success factors a brand uses should closely interlink with the brand's identity.

Brand identity

Aaker and Joachimsthaler (2000) also emphasise the importance of developing a plan to communicate the key features of the **brand identity** and increase brand awareness. Brand identity is again more than the name. These authors refer to it as a set of brand associations that imply a promise to customers from an organisation.

Brand identity

The totality of brand associations, including name and symbols that must be communicated.

Brand names for online brands

Ries and Ries (2000) suggest two rules for naming online brands:

1. **The Law of the Common Name.** They say 'the kiss of death for an Internet brand is a common name'. The idea is that common names such as **Art.com** or **Advertising.com** are poor since they are not sufficiently distinctive.
2. **The Law of the Proper Name.** They say 'your name stands alone on the Internet, so you'd better have a good one'. This suggests that proper names are to be preferred to generic names, e.g. **PinkMoods.com** against **Woman.com**.

Research has found that the characteristics of the word chosen to represent a brand can influence consumer behaviour (Vitevitch and Donoso, 2011) and be linked to the propensity with which a buyer will engage with a brand. This study suggests that in order to increase the likelihood that a consumer will engage with a new brand, it should be easy to pronounce, have interesting arrangements of syllables and consonants so as to make the name easy to recall but should not be too similar to other words (thereby causing confusion with other brand names).

In essence, good brand names ([Activity 5.2](#)) are those that are easy to remember and pronounce but also have potential to catch the attention of customers (Brand Name Generator, 2015).

Activity 5.2: How to develop a new brand name

Purpose

To illustrate how non-words (those not recognised in everyday language) can be used as brand names.

Activity

Visit the Brand Name Generator at <http://business-name-generators.com/generator.php?gen=brand-name-generator>. Generate new brand names that you feel have potential as online brands. Evaluate your choice using the following criteria:

1. Easy to pronounce Y/N?
2. Easy to remember Y/N?
3. Intriguing word pattern (syllables and consonants) Y/N?
4. Has the potential to attract attention Y/N?
5. Not close to existing known word(s) Y/N?
6. Creates a feeling of trust Y/N?
7. Has an 'air' of professionalism Y/N?

Once you have a name that you feel has potential to be successful (more than five Ys), suggest some products that could fit with the name.

Price

The **price variable** of the marketing mix refers to an organisation's pricing policies, which are used to define **pricing models** and to set prices for products and services, which ultimately differentiate a brand. The Internet has implications for pricing in many sectors. Original research suggested two approaches commonly adopted for pricing online: 1) startup companies have tended to use low prices to gain a customer base; and 2) existing companies just transferred their existing prices to the web (Baker *et al.*, 2000; Xing *et al.*, 2006). However, as organisations are increasingly developing multichannel strategies in order to give their customers more opportunities to interact with brands, it becomes more difficult to justify online and offline pricing policies, especially in consumer markets. Dixons Carphone Warehouse, for example, not only offers uniform pricing across its brands but also has a Compare Prices App that allows its users to search for products by key word or bar codes and then get instant price comparisons with other retailers selling identical products (PC World, 2015). Airlines use revenue management systems and dynamic pricing

models to generate maximum revenue. See [Digital marketing insight 5.2 \(Up up and away – for a price\)](#). However, for companies selling goods and services, it is becoming harder to legitimise differential online pricing as this can reduce buyer confidence and trust. Trivago is an online brand that has created business out of price variations in the travel industry, and it not only shows consumers price comparisons for accommodation but also provides insights on pricing for hoteliers (<http://hotelmanager-blog.trivago.com/rate-insights/>).

Price variable

The element of the marketing mix that involves defining product prices and pricing models.

Pricing models

Describe the form of payment, such as outright purchase, auction, rental, volume purchases and credit terms.

The Pricing element of the mix invariably relates to the Product element (even when the offer is a service), since online pricing depends on the range of products offered and the point at which a product is in its lifecycle. Extending the product range may allow these products to be discounted online. Some organisations have launched new products online that have a lower Price element; for example, banks have launched ‘eSavings’ products where higher interest rates are offered to online customers in order to attract new customers. Alternatively, they may offer insurance products with a 10 per cent online discount in order to encourage customers to switch to the digital channel. Often these agreements are dependent on the customer servicing their account online, which helps reduce the cost-base of the bank. This then relates to the service elements of the mix since service has to be delivered online. See [Digital marketing insight 5.3](#) about discounting options for online services.

Digital marketing insight 5.2: Up up and away – for a price

Grandos *et al.* (2012) note that there is now far more information available to aid airline buying decisions, which leads to ‘... an increase in the *price elasticity* of demand, or the per cent change in demand due to a per cent change in price, because consumers are better able to compare offerings from multiple suppliers’.

What this means is that there is more information to use for assessing availability, routes and prices, but this is not just for consumers. Airline companies and online travel agencies also have access to data, which helps them to pinpoint high and low points in demand and to closely align these patterns with specific customer types. Airlines know which are the high-value routes and which are the high-value customers, and digital technology is enabling better price matching through customer profiling. As a result, on a typical business route – let’s say London to Frankfurt – the airline may start with low prices to fill a minimum of capacity, then raise prices steeply for business travelers who ‘book at the last minute’ (CNN Travel, 2017). So, while information has, to a certain extent, liberated the airline ticket market, making prices more elastic and transparent, there is also a certain level of opaqueness from the ticket sellers as to how they arrive at fare pricing (Grandos, *et al.*, 2012). Indeed, there are no longer just three fare bands (economy, business and first class) but dozens of different air fare classes, which are devised when airlines are able to bring together their different data sets of flight sales and availability with passenger information.

The main implications of the Internet for the price aspect of the mix, which we will review in this section, are:

1. increased price transparency and its implications on differential pricing;
2. downward pressure on price (including commoditisation);
3. new pricing approaches (including dynamic pricing, price testing and auctions);
4. alternative pricing structure or policies.

1 Increased price transparency

Quelch and Klein (1996) described two contradictory effects of the Internet on price that are related to **price transparency**. First, a supplier can use the technology for **differential pricing** – for example, for customers in different countries (or as discussed in Digital marketing insight 5.3). However, if precautions are not taken about price, the customers may be able to quickly find out about the price discrimination through price comparison and they will object to it.

Price transparency

Customer knowledge about pricing increases due to increased availability of pricing information.

Differential pricing

Identical products are priced differently for different types of customers, markets or buying situations.

Pricing online has to take into account the concept of **price elasticity of demand**. This is a measure of consumer behaviour based on economic theory that indicates the change in demand for a product or service in response to changes in price. Price elasticity of demand is determined by the price of the product, availability of alternative goods from alternative suppliers (which tends to increase online) and consumer income. A product is said to be ‘elastic’ (or responsive to price changes) if a small change in price increases or reduces the demand substantially. A product is ‘inelastic’ if a large change in price is accompanied by a small amount of change in demand.

Price elasticity of demand

Measure of consumer behaviour that indicates the change in demand for a product or service in response to changes in price. Price elasticity of demand is used to assess the extent to which a change in price will influence demand for a product.

Digital marketing insight 5.3: Discounting options for online services

Some service industry providers face a challenge with regard to pricing due to the nature of their products: their inventory – e.g. theatre seats, hotel rooms and even a hair cut – cannot be stored for future use in the same way that products can. So the service provider faces the constant dilemma of how much and when to discount prices to maximise the sales of *perishable* services. In the hotel industry, in the low season there are many unbooked rooms due to low demand, but these cannot be stored for the high season. However, the profit margins of hotel rooms are relatively high for each let room. So the challenge is how to increase use of the *perishable* rooms (Guo *et al.*, 2013). These authors suggest that profits in the hotel industry can be increased significantly ‘with a proper pricing strategy provided by market segmentation’. The Internet and online reservation systems (ORS) have enabled this approach and are now widely used around the globe. ORS have become increasingly sophisticated and offer dynamic pricing based on target segments and lead times. This has enabled hoteliers to engage in sophisticated pricing strategies in an attempt to maximise sales. Some offer variable discounts for booking in advance (e.g. Marriott International™, Hilton™), while others offer fixed discounts. The pricing approaches can vary depending on the target segments, frequency of use, loyalty and many other related variables. Dynamic pricing strategies used in conjunction with ORS have benefited the hotel industry and, where applied effectively, have increased profitability. However, the ‘book anytime, any place, anywhere’ model, which underpins this new way of booking rooms, also has its limitations. The hotel industry has to deal with cancellations and no-shows, so sometimes hotels add into their ORS the capacity to overbook (Ling *et al.*, 2014, or adopt the more innovative approach of ‘name your own price’.

Although, intuitively, we would think that price transparency enabled through the digital price comparison services such as [Shopping.com](#) (owned by eBay), which leads to searching by product rather than by store level, would lead to common comparisons of price and the selection of the cheapest product, the reality seems different. Pricing online is relatively inelastic. There are two main reasons for this: 1) pricing is only one variable – consumers also decide on suppliers according to other aspects about the brand, such as familiarity, trust and perceived service levels; and 2) consumers often display **satisficing behaviour**. The term ‘satisfice’ was coined by Herbert Simon in 1957 when he said that people are only ‘rational enough’ and that they suspend or relax their rationality if they feel it is no longer required. This is called ‘bounded rationality’ by cognitive psychologists. In other words, although consumers may seek to minimise some variable (such as price) when making a product or supplier selection, most may not try too hard. Online, this is supported by research (Johnson *et al.*, 2004; Allan, 2012), which has shown that shoppers visit a number of web stores before making their purchase decisions. In the early days of online shopping, choices were limited and consumer confidence in the digital marketplace was relatively low. As choice and interest in buying online has grown, in line with the proliferation of online business, the number of sites consulted has grown significantly during the last decade. In the travel industry it has been suggested that as many as 38 websites might be visited before choosing a hotel room. However, currently, consumers visit, on average, around four to five websites when making travel choices but they are also likely to consult social media and customer reviews before making their final purchase decision (DiMiao, 2017). This reduction can be explained by the growth in the number of intermediaries (e.g., [booking.com](#), [laterooms.com](#), [trivago.com](#)), which act as a portal for tens of thousands of holiday accommodation providers and destinations. The number of sites and digital information sources can also vary depending on the product or service being sought.

Satisficing behaviour

Consumers do not behave entirely rationally in product or supplier selection. They will compare alternatives, but then may make their choice given imperfect information.

Retailers or other transactional e-commerce companies operating in markets where their products are readily reviewed online need to review their strategy towards the impact of **aggregators**, which facilitate price comparison. One

strategy for companies in the face of increased price transparency is to highlight the other features of the brand – such as the quality of the retail experience, fulfilment choice or customer service – to reduce the emphasis on cost as a differentiator. Another strategy is to educate the market about the limitations in aggregators, such as incomplete coverage or limited information about delivery or service levels.

Aggregators

An alternative term to price comparison sites or comparison search engines (CSE). Aggregators include product, price and service information comparing competitors within a sector such as financial services, retail or travel. Their revenue models commonly include affiliate revenues (CPA), pay-per-click advertising (CPC) and display advertising (CPM).

Arguably, this conflict shows the importance of companies that are featured within aggregators possessing a strong brand that can offer additional value in terms of customer service or trust. It also shows the continuing importance of offline advertising in shaping consumer perceptions of brands and driving visitors directly to a destination site.

For business commodities, auctions on business-to-business exchanges can also have a similar effect of driving down price. Purchase of some products that have not traditionally been thought of as commodities may become more price sensitive. This process is known as **commoditisation**. Examples of goods that are becoming commoditised include electrical goods, cars and even cut flowers (Lu *et al.*, 2016).

Commoditisation

The process whereby product selection becomes more dependent on price than on differentiating features, benefits and value-added services.

2 Downward pressure on price

The competition caused by price transparency and increased number of competitors is the main reason for downward pressure on price. Many aggregators or comparison sites have benefited from this approach (e.g. mysupermarket.com). For example, [Activity 5.3](#) and [Figure 5.3](#) shows an example of this website, which compares four different supermarkets showing the variation in prices between Tesco, ASDA, Sainsbury's and Ocado. However, you should be aware when looking at price comparisons that you are

not always seeing a like-for-like comparison; products can vary, especially when supermarket own-brands are in the shopping basket.

The Internet also tends to drive down prices, since Internet-only retailers that do not have a physical presence do not have the overheads of operating stores and a retailer distribution network. This means that, in theory, online companies can operate at lower **pricing levels** than offline rivals. This phenomenon is prevalent in the banking sector, where many banks have set up online companies or online-only accounts offering better rates of interest on savings products. Online purchase discounts are a common approach in many markets.

Pricing level

The price set for a specific product or range of products.

Price elasticity of demand (see [Digital marketing insight 5.4](#)) assesses the extent to which a change in price will influence the demand for a product. It is calculated as the change in quantity demanded (expressed as a percentage) divided by the change in price as a percentage. Different products will naturally have different coefficients of price elasticity of demand depending on where they lie on the continuum of consumer tastes, from relatively undifferentiated commodities to luxury, highly differentiated products where the brand perception is important.

Discounting of the most popular products is another pricing approach used by both online and traditional retailers to acquire customers or drive sales. For example, online booksellers may decide to offer a discount of 50 per cent on the top 25 best-selling books in each category, for which no profit is made, but offer a smaller discount on less popular books to give a profit margin.

Baker *et al.* (2000) suggested that companies should use the following three factors to assist in pricing.

1. **Precision.** Each product has a price-indifference band, where varying price has little or no impact on sales. The authors report that these bands can be as wide as 17 per cent for branded consumer beauty products, 10 per cent for engineered industrial components, but less than 10 per cent for some financial products. The authors suggest that while the cost of undertaking a survey to calculate price indifference is very expensive in the real world, it is more effective online.

2. **Adaptability.** This refers simply to the fact that it is possible to respond more quickly to the demands of the marketplace with online pricing. For many product areas, such as ticketing, cars and fashion, it may be possible to dynamically alter prices in line with demand. **Tickets.com** adjusts concert ticket prices according to demand and has been able to achieve 45 per cent more revenue per event as a result.
3. **Segmentation.** This refers to pricing differently for different groups of customers. This has not traditionally been practical for B2C markets since at the point of sale information is not known about the customer, although it is widely practised for B2B markets. One example of pricing by segments would be for a car manufacturer to vary promotional pricing, so that rather than offering every purchaser discount purchasing or cash-back, it is only offered to those for whom it is thought necessary to make the sale. A further example is where a company can identify regular customers and fill in customers who only buy from the supplier when their needs can't be met elsewhere. In the latter case, up to 20 per cent higher prices are levied.

Activity 5.3: Assessing price ranges on the Internet

Purpose

To illustrate the concept of price transparency.

Activity

Visit a price comparison site, e.g. www.pricerunner.com, www.confused.com, www.moneysupermarket.com; or www.gocompare.com, and then find the products below and examples of the best and worst offers:

- insurance;
- a personal loan;
- a savings product.

Figure 5.3 mySupermarket aggregator (www.mysupermarket.co.uk)

Digital marketing insight 5.4: Price elasticity of demand

The formula for the price elasticity of demand is:

$$\text{Price elasticity of demand coefficient} = \frac{(\% \text{ change in quantity demanded})}{(\% \text{ change in price})}$$

Price elasticity for products is generally described as:

- **Elastic (coefficient of price elasticity > 1).** Here, the percentage change in quantity demanded is greater than the percentage change in price. In elastic demand, the demand curve is relatively shallow and a small percentage increase in price leads to a reduction in revenue. On balance overall, when the price is raised, the total revenue of producers or retailers falls since the rise in revenue does not compensate for the fall in demand; and

when the price is decreased, total revenue rises because the income from additional customers compensates from the decrease in revenue from reduced prices. **Figure 5.4** shows the demand curve for a relatively elastic product (price elasticity = 1.67).

- **Inelastic demand (coefficient of price elasticity < 1).** Here, the percentage change in quantity demanded is smaller than the percentage change in price. In inelastic demand, the demand curve is relatively steep and a small percentage increase in price causes a small decrease in demand. On balance, overall revenue increases as the price increases and falls as the price falls. **Figure 5.5** shows the demand curve for a relatively inelastic product (price elasticity = 0.3125).

Figure 5.4 Price elasticity of demand for a relatively elastic product

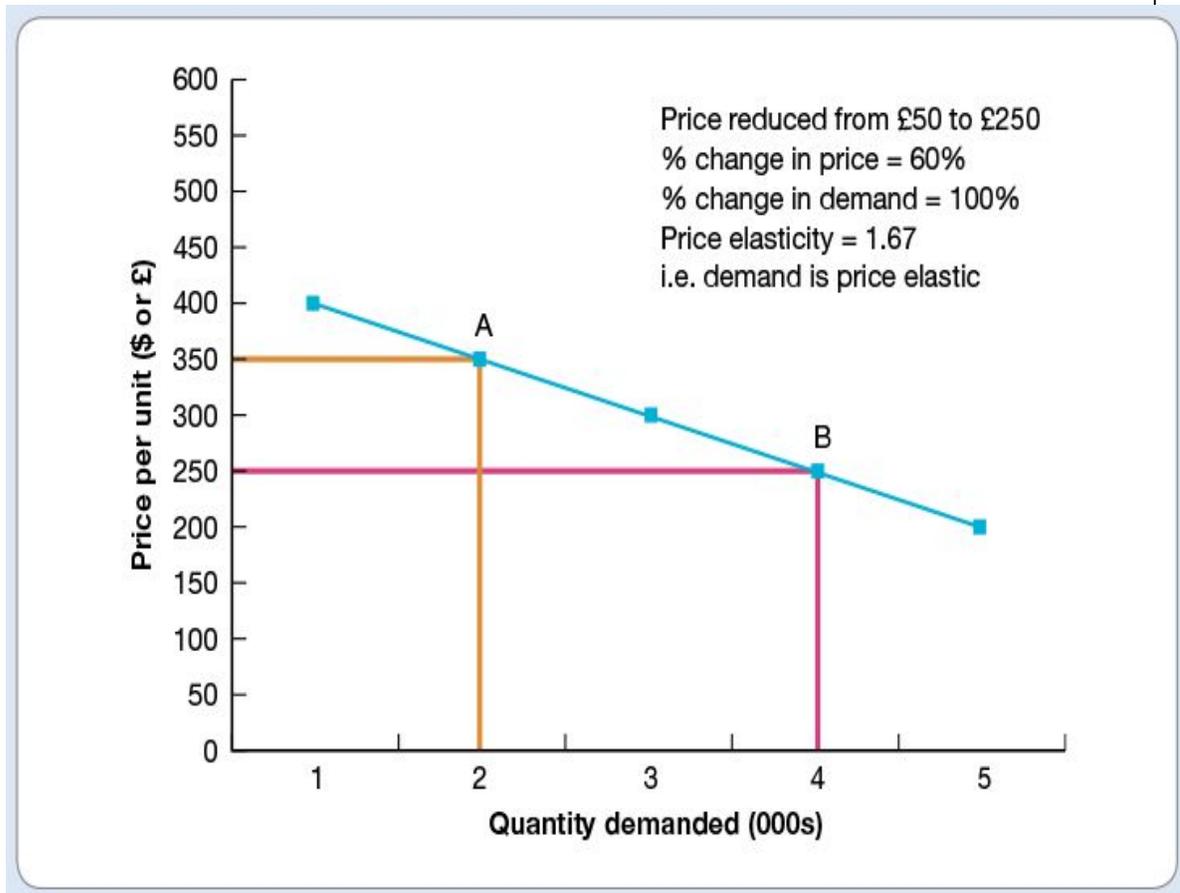
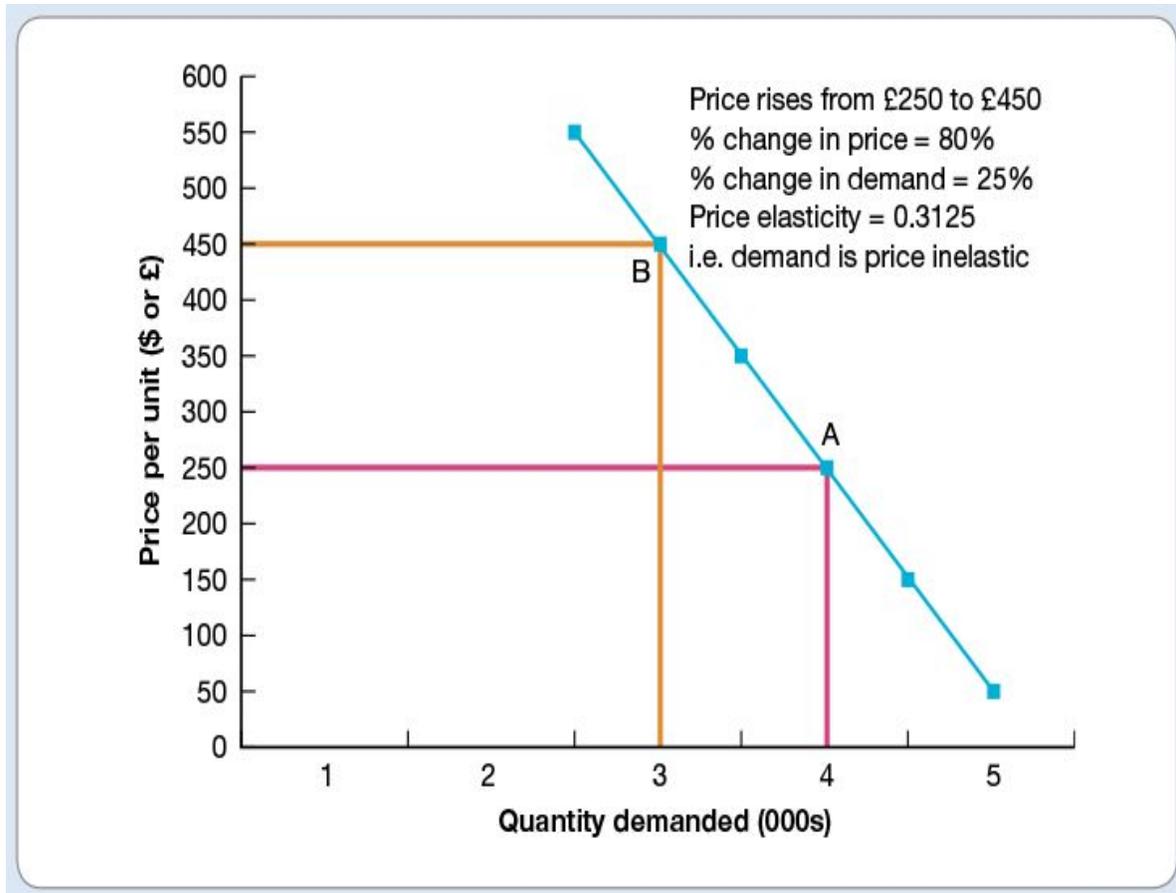


Figure 5.5 Price elasticity of demand for a relatively inelastic product



When the price elasticity coefficient is close to 1, this is described as unit elastic or unitary elastic. At the limits of elasticity, products will vary from:

- *perfectly elastic* (coefficient is not infinite), effectively shown as a horizontal line on demand curve graphs, such as Figure 5.4 where any increase in the price will cause demand (and revenue for the goods) to drop to zero.
- *perfectly inelastic* (coefficient of price elasticity is zero), effectively shown as a vertical line on demand curve graphs, such as Figure 5.5 where changes in the price do not affect the quantity demanded for the good.

When the price elasticity value is 1 of the demand for a good it is known as *unit elastic* (or *unitary elastic*).

What, then, are the options available to marketers given this downward pressure on pricing? We will start by looking at traditional methods for pricing and how they are affected by the Internet. Bickerton *et al.* (2000) identified a range of options that are available for setting pricing:

1. **Cost-plus pricing.** This involves adding on a profit margin based on production costs. As we have seen above, a reduction in this margin may be required in the Internet era.

2. **Target-profit pricing.** This is a more sophisticated pricing method that involves looking at the fixed and variable costs in relation to income for different sales volumes and unit prices. Using this method, the breakeven amount for different combinations can be calculated. For e-commerce sales the variable selling cost (i.e. the cost for each transaction) is small. This means that once breakeven is achieved each sale has a large margin. With this model differential pricing is often used in a B2B context according to the volume of goods sold. Care needs to be taken that differential prices are not evident to different customers. One company, through an error on its website, made prices for different customers available for all to see, with disastrous results.
3. **Competition-based pricing.** This approach is common online. The advent of price comparison engines such as Kelkoo (www.kelkoo.co.uk) for B2C consumables has increased price competition and companies need to develop online pricing strategies that are flexible enough to compete in the marketplace, but are still sufficient to achieve profitability in the channel. This approach may be used for the most popular products and is available via country-specific sites such as kelkoo.nl, and kelkoo.de.
4. **Market-orientated pricing.** Here the response to price changes by customers making up the market are considered. This is known as ‘the elasticity of demand’. There are two approaches. *Premium pricing* (or *skimming the market*) involves setting a higher price than the competition to reflect the positioning of the product as a high-quality item. Penetration pricing is when a price is set below the competitors’ prices to either stimulate demand or increase penetration. This approach was commonly used by dot.com companies to acquire customers. The difficulty with this approach is that if customers are price-sensitive then the low price has to be sustained – otherwise customers may change to a rival supplier. This has happened with online banks – some customers regularly move to reduce costs of overdrafts, for example. Alternatively, if a customer is concerned by other aspects such as service quality, it may be necessary to create a large price differential in order to encourage the customer to change supplier.

While there is much research evidence that suggests the Internet has had a downwards impact on pricing, this may not be so prevalent in the future. As the Internet has become a more mainstream shopping channel, consumers are tending to focus more on the quality of the services provided rather than the price.

3 Innovative pricing approaches

The Internet has proved to have the technological capacity to create new pricing options. [Figure 5.6](#) summarises different pricing mechanisms, which have been used effectively online. While many of these were available before the advent of the Internet and are not new, the Internet has made some models easier to apply. In particular, the volume of users makes traditional or **forward auctions** (B2C) and **reverse auctions** (B2B) more tenable – these have become more widely used than previously.

Forward auctions

Item purchased by highest bid made in bidding period.

Reverse auctions

Item purchased from lowest-bidding supplier in bidding period.

An **offer** is a commitment by a trader to sell under certain conditions, such as a minimum price. A **bid** is made by a trader to buy under the conditions of the bid, such as a commitment to purchase at a particular price. In a sealed-bid arrangement, suppliers submit their bids in response to an RFP posted to a website at a set time. In an open-bid arrangement, suppliers bid sequentially through a series of product lots or subgroups and can view their competitors' bids and respond in real time. A moving end-time (a 'soft close') is used for each lot, which means that any bid within the last minute of the closing time automatically extends the end time for a few minutes to allow other bidders to respond.

Offer

A commitment by a trader to sell under certain conditions.

Bid

A commitment by a trader to purchase under certain conditions.

Price testing and dynamic pricing

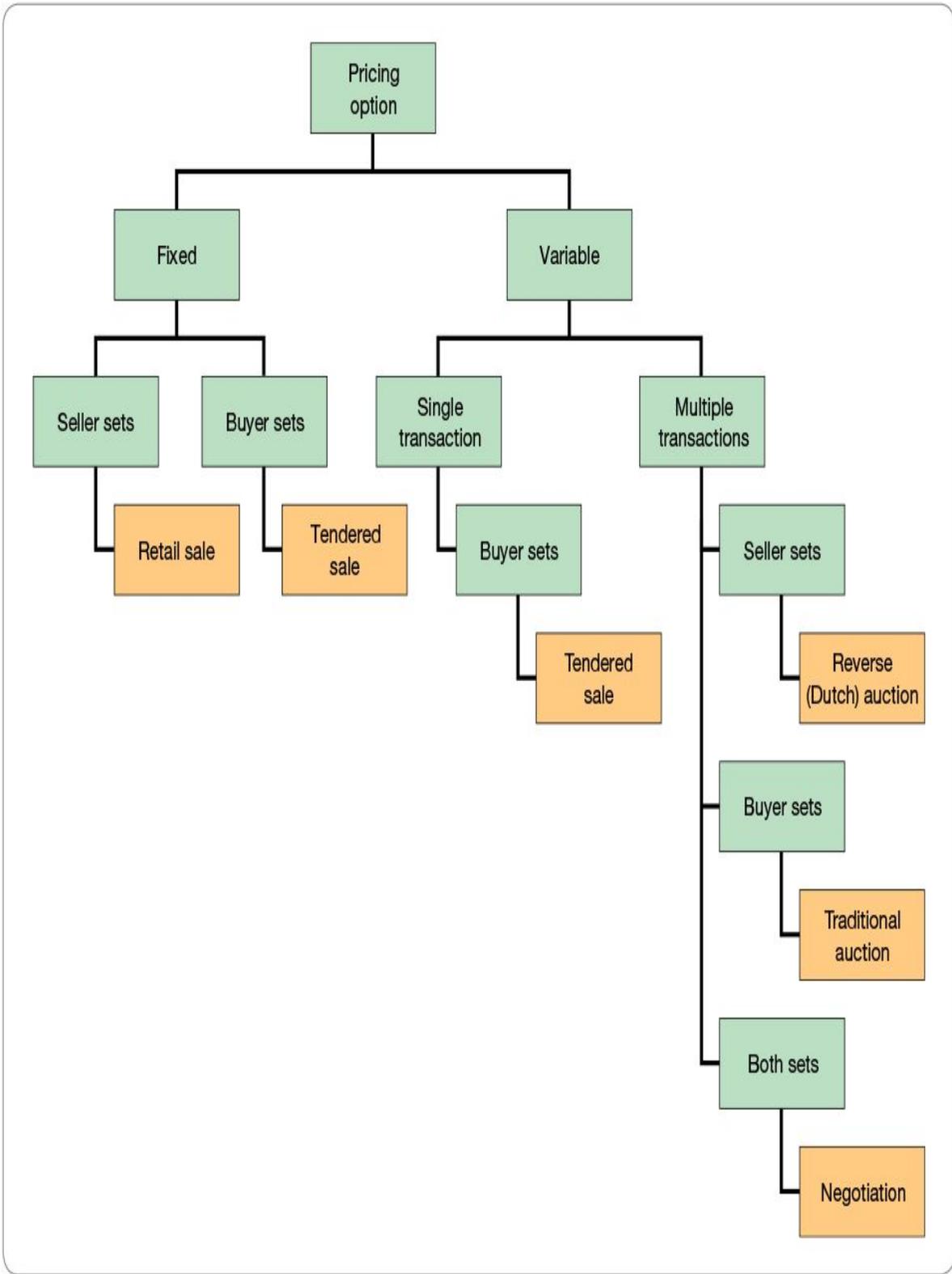
The Internet introduces new opportunities for **dynamic pricing** – for example, new customers could automatically be given discounted purchases for the first three items. Care has to be taken with differential pricing since established customers will be unhappy if significant discounts are given to new customers. Amazon trialed such a discounting scheme and it received negative press and had to be withdrawn when people found out that their friends or colleagues had paid less. If the scheme had been a clear introductory promotion this problem may not have arisen.

Dynamic pricing

Prices can be updated in real time according to the type of customer or current market conditions

Baye *et al.* (2007) reported that European electronics online retailer Pixmania™ (www.pixmania.com) used price experimentation to learn about its customers' price sensitivity. They noted that for a PDA, Pixmania adjusted its product price 11 times in a 14-week period, from a low of £268 to a high of £283, as part of a series of small experiments that enabled it to learn about the price sensitivities of its customers. But this strategy did not prove to be sustainable or profitable and the brand has all but disappeared following its sale to German Mutares in 2013, who attempted to save it.

Figure 5.6 Alternative pricing mechanisms



Shipping fees

The setting of shipping fees can have a dramatic effect on both conversion rates and profitability according to research completed by Lewis *et al.* (2006). They note the popularity of free shipping offers when the basket size is above a certain amount, but also note that it can potentially cause profitability to fall if it is not set at the right level. They also suggest that different shipping fees could potentially be offered to different segments. Shipping fees can also be varied according to the time it takes for items to be delivered.

One further approach with innovation in treatment of shipping fees is to offer a loyalty programme in return for free express shipping – the basis of the Amazon Prime programme.

4 Alternative pricing structure or policies

Different types of pricing may be possible on the Internet, particularly for digital, downloadable products. Software and music have traditionally been sold for a continuous right to use. As explained in more detail in the section on Product, the Internet offers new options such as payment per use, rental at a fixed cost per month, a lease arrangement and bundling with other products. The use of application service providers (ASPs) to deliver services such as website traffic monitoring also gives new methods of volume pricing.

Further pricing options that could be varied online include:

- basic price;
- discounts;
- add-ons and extra products and services;
- guarantees and warranties;
- refund policies;
- order cancellation terms.

As a conclusion to the section on pricing, we summarise the research by Baye *et al.* (2007), which has many interesting examples of innovative online pricing approaches. They recommend that online retailers should ask the following questions when reviewing pricing online:

- **How many competitors are there at a point in time?** They suggest a product's markup should be increased when the number of rivals falls and decreased when the number of rivals increases. They also recommend that since the identity of competitors online will differ from traditional offline rivals, it is important to include key online competitors.

- **What is the position in the product lifecycle?** A product's markup should be decreased over its lifecycle, or when new versions are introduced.
- **What is the price sensitivity or elasticity of a product?** They suggest continuously experimenting to learn from changes in the price sensitivity of a product.
- **At what level is pricing set?** The optimal markup factor should be applied at the product rather than category or firm level, based on price testing at the product level. They also note the variation of conversion rates and click-through fees from paid search engines and aggregators at the category or product level, which makes it important to have micro-management of pricing.
- **Are rivals monitoring my price?** Be unpredictable if rivals are watching; exploit 'blind spots' if rivals are not watching.
- **Are we stuck in the middle?** A middle pricing point is suboptimal, particularly if prices can be set to target the lowest point in the market.

Place

The **place variable** of the marketing mix refers to how the product is distributed to customers. Typically, for offline channels, the aim of Place is to maximise the reach of distribution to achieve widespread availability of products while minimising the costs of inventory, transport and storage. In an online context, thanks to ease of navigating from one site to another, the scope of Place is less clear since Place also relates to Promotion and Partnerships. Take the example of a retailer of mobile phones: for this retailer to reach its potential audience to sell and distribute its product, it has to think beyond its own website to third-party websites where it can promote its services. Successful retailers are those that maximise their representation or visibility on third-party sites that are used by their target audiences. These third-party sites will include search engines, online portals reviewing mobile phones and product comparison sites. When thinking about representation on third-party sites, it is useful to think of the long tail concept (Anderson, 2004) referenced in [Figure 5.2](#). Across the Internet, there are a small number of sites, including portals such as Google and Yahoo!, that are very popular (known as *the head*, which may theoretically account for 80 per cent of the volume of visitors) and a much larger number of sites that are less popular individually, but still collectively important. Similarly, within a category of sites, such as automotive,

there will be a few very popular sites and then many niche sites, which are collectively important in volume and may be more effective at reaching a niche target audience (*the tail*). When considering Place and Promotion, it is important to target both the head and the tail to maximise reach and to attract quality visitors to the destination site.

Place variable
 The element of the marketing mix that involves distributing products to customers in line with demand and minimising cost of inventory, transport and storage.

The main implications of digital for the Place aspect of the mix reviewed in this section are:

1. place of purchase (see options shown in [Table 5.1](#));
2. new channel structures;
3. channel conflicts;
4. virtual organisations.

Table 5.1 Different places for virtual marketplace representation

Place of purchase	Examples of sites
A Seller-controlled	<ul style="list-style-type: none"> • Vendor sites, i.e. home site of organisation selling products or services – e.g. www.dell.com, www.uber.com
B Seller-orientated	<ul style="list-style-type: none"> • Intermediaries controlled by third parties to the seller such as distributors and agents – e.g. Opodo (www.opodo.com), which represents the main air carriers and Amazon marketplace, where third parties can sell products
C Neutral	<ul style="list-style-type: none"> • Intermediaries not controlled by buyer’s industry • Comparison sites – e.g. uSwitch (www.uswitch.com) in the energy industry
D Buyer-orientated	<ul style="list-style-type: none"> • mySupermarket (www.mysupermarket.com) • Intermediaries controlled by buyers – e.g. the remaining parts of the Covisint network of motor manufacturers • Discount sites for consumers such as voucher code

E Buyer-controlled	<p>sites – e.g. www.myvoucherCodes.com, and cashback sites – e.g. Quidco (www.quidco.com)</p> <ul style="list-style-type: none"> • Website procurement posting or reverse auctions on company’s own site, e.g. www.Maistro.com enables businesses to post tenders for projects in marketing and other sectors
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1 Place of purchase

Suggesting the concept of place in relation to the Internet may seem peculiar, but as it is a global virtual environment that crosses geographical boundaries, the issues associated with distribution, logistics and the point at which sales and other transactions take place are important for digital marketers. For example, when selling physical goods there are cost and time issues associated with fulfilment (local, regional and international) together with issues of trust, culture and local support networks. However, in the case of sellers of digital products there is no physical limitation on fulfilment. For example, Apple iTunes™ has proved successful in offering its service worldwide. Read [Mini case study 5.2](#) (Winners and losers in online shopping) to find out more about the impact of digital on retailer trading in physical stores.

Evans and Wurster (1999) argue that there are three aspects of ‘navigational advantage’ that are key to achieving competitive advantage online. These three, which all relate to the Place element of the mix, are:

- **Reach.** Evans and Wurster say: ‘It [reach] means, simply, how many customers a business can connect with and how many products it can offer to those customers’. Reach can be increased by moving from a single site to representation with a large number of different intermediaries. Allen and Fjermestad (2001) suggest that niche suppliers can readily reach a much wider market due to search-engine marketing ([Chapter 8](#)). Evans and Wurster also suggest that reach refers to the range of products and services that can be offered, since this will increase the number of people the company can appeal to.
- **Richness.** This is the depth or detail of information that is both collected about the customer and provided to the customer. The latter is related to the richness of product information and how well it can be personalised to be relevant to individual needs.
- **Affiliation.** This refers to whose interest the selling organisation represents – consumers’ or suppliers’ – and stresses the importance of forming the

right partnerships. This particularly applies to retailers. The authors suggest that successful online retailers will reward customers who provide them with the richest information on comparing competitive products. They suggest this tilts the balance in favour of the customer.

Mini case study 5.2: Winners and losers in online shopping

Serious attempts to trade online started to emerge in the early 1990s when innovative, technically savvy companies responded to the opportunities and challenges posed by the Internet, to develop sophisticated web-sites to serve customers in their homes (Rayport and Sviokla, 1994). At this time, many academics were starting to question the likely impacts that this exciting, new technology would have on the shape and conduct of retailing in the years to come and questioned the extent to which the virtual world would change the principles of retailing, and asked whether it would ultimately displace existing retail formats or serve as a natural complement to current marketing practices. Malone *et al.* (1987) raised questions about the possibility that manufacturers could simply target their consumers directly and, in so doing, simply cut the retailer, as the '*middle man*', out of the equation. Other commentators went beyond raising questions about the Internet's likely impact on retailing, to making fairly specific predictions. Indeed, most commentators were extremely optimistic about how quickly and enthusiastically the consumer would adopt this new channel, with the following two quotes being very indicative of the general mood: 'by the year 2005 it (the Internet) would capture between 8 and 30 per cent of the UK retail market' Pavitt (1997); and, over a similar time frame, 'high-street stores face an estimated loss of 20% of their business to electronic shopping' (Angelides, 1997).

Fast forward by twenty years, to the mid 2010s, and it is possible to answer some of the original questions and assess those early predictions. Although the rate of Internet adoption among retailers might not have been as rapid as originally envisaged, a key question for both marketing scholars and practitioners is no longer whether but when a store-based retailer should adopt an online channel.

The results of this study show how there has been a significant decline in the number of well-known retail brands on UK high streets during the last two decades and suggest that their demise can be attributed to their approach towards Internet adoption as a *retail channel*. At the start of the study nearly 70 per cent of businesses did not have any form of web presence or a registered domain name. [Figure 5.7](#) shows the decline in the number of leading high-street retailers between 1997 and 2013. Examples of brand names that have disappeared from the high street include Blockbusters (video rentals), Barratts (shoes), Comet (white goods, electricals), MFI (low-cost furniture) and Woolworths (music, entertainment, confectionary).

However, the findings of this study show that by 2013 all remaining retailers either had some form of online presence or had a registered domain, and 62 per cent had live sites that were e-commerce enabled. Analysis also reveals how retailers that were early movers, and have been innovative with their approach towards Internet adoption since 1997, have been able to future proof their businesses, and many still remain operational at the time of writing.

This extract is dedicated to the memory of Professor Neil F. Doherty and part of the last article we were able to write together before his untimely death in 2017. (Fiona Ellis-Chadwick)

Syndication

Traditionally, **syndication** referred to articles or extracts from books being included in other publications such as newspapers and magazines. In an online context, this practice related to Place and Partnerships needs to be reviewed for online content owners, since there may be opportunities to generate additional revenue by re-publishing content on third-party sites through feeds, widgets or data exchange, or it may be possible to increase exposure on partner sites and so generate awareness or visits to the company site. For example, through its Amazon Author Central service, **Amazon.com** enables authors to publish a blog on their site based on an RSS feed (see [Chapter 1](#)) from their own blog, thus increasing awareness of the blog.

Syndication

Content or product information is distributed to third parties. Online this is commonly achieved through standard XML formats such as RSS.

But syndication also has implications for other companies, and in particular retailers, since syndication of information from their product catalogues to third-party aggregators is important to extend their reach. Retailers need to consider participating in Google Shopping so that Product Listing Ads (PLAs, [Figure 5.7](#)) are displayed to increase awareness (see [Chapter 9](#), the section on search marketing).

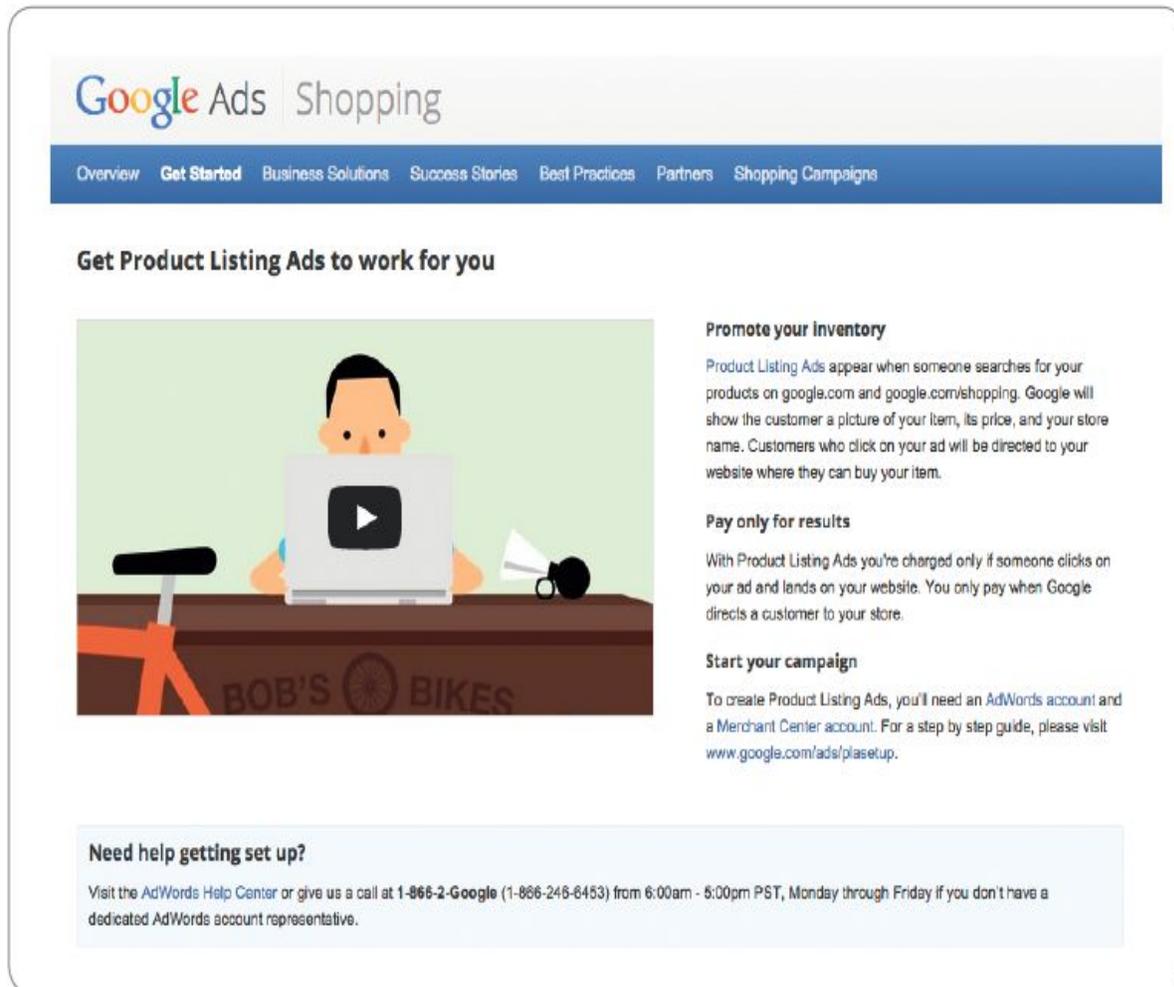
Since integrating product data with a range of aggregators that will require formats can be time-consuming, some companies such as Channel Advisor (www.channeladvisor.com) now offer a service to upload data and track results across a range of aggregators.

Payment mechanisms – purchase place

Traditionally, online purchase will occur at the retailer through a partnership with an online secure payment provider such as Worldpay™ (www.worldpay.com). Effectively, the purchase transaction occurs on a different domain, but it is important that customers are reassured that the payment process is secure and seamless. Retailers often offer payment

mechanisms where the purchaser has already set up payment with another payment provider, such as PayPal (www.paypal.com). This approach can assist with reassurance about privacy and security and increase purchase convenience and choice for the user, so these options also have to be reviewed. Now complete [Activity 5.4](#) to gain more insight into the influence of place of purchase.

Figure 5.7 Google Shopping™ (www.google.com/shopping)



Get Product Listing Ads to work for you

Promote your inventory
Product Listing Ads appear when someone searches for your products on google.com and google.com/shopping. Google will show the customer a picture of your item, its price, and your store name. Customers who click on your ad will be directed to your website where they can buy your item.

Pay only for results
With Product Listing Ads you're charged only if someone clicks on your ad and lands on your website. You only pay when Google directs a customer to your store.

Start your campaign
To create Product Listing Ads, you'll need an AdWords account and a Merchant Center account. For a step by step guide, please visit www.google.com/ads/plasetup.

Need help getting set up?
Visit the [AdWords Help Center](#) or give us a call at 1-866-2-Google (1-866-246-6453) from 6:00am - 6:00pm PST, Monday through Friday if you don't have a dedicated AdWords account representative.

Localisation

Providing a local site, with or without a language-specific version and additional cultural adaptations, is referred to as **localisation**. A site may need to support customers from a range of countries with:

- different product needs;
- language differences;

- cultural adaptation.

Localisation

Tailoring of website information for individual countries or regions. Localisation can include simple translation, but also cultural adaptation.

See [Digital marketing insight 5.5 \(Digital Town: localised search and collaborative trading\)](#).

Further approaches used for cultural adaptation and localisation are described in [Chapter 7](#) in the section on localisation.

Digital marketing insight 5.5: Digital Town: localised search and collaborative trading

Digital Town offers a new way of thinking about the web, shopping online and interacting with a local town by providing local search, which brings back links to businesses and service providers based in a single town or city. It is an innovative web-based platform, which is built on blockchain technology and enables citizens to shop using a digital wallet, with just one sign on point. The company has a network of 22,000 domains and is building a global platform that aims to enable cities across the globe to develop their own part of the web.

What makes Digital Town innovative is that it is developing digital real estate in collaboration with a town-centre management team, chambers of commerce and local citizens who can buy a stake in their local town or city platform. The company aims to offer online shoppers a choice to move away from global digital platforms such as Amazon and [booking.com](#). Digital Town is aiming to provide a direct connection between businesses and consumers and in doing so reduce the cost to businesses for getting their products and services to market.

Visit Nashville to experience the Digital Town concept: <https://nashville.city>.

Source: Based on Wood (2017)

Activity 5.4: Place of purchase on the Internet

Purpose

To explore connections between physical and virtual locations.

Activity

Imagine you are going to purchase a second-hand car. Set out the stages in the process you might go through, from thinking about the car you might buy to finding a place to purchase your car and then identifying the final car you might buy.

While you are going through this process, try to identify when you will be using the Internet (virtual environment) and when you will be in the physical environment (e.g. visiting car dealers).

2 New channel structures

New channel structures enabled by the Internet have been described in detail in Chapters 2 and 4. The main types of phenomena that companies need to develop strategies for are:

- **Disintermediation.** Digital marketers should ask themselves the question: is there an option for selling direct? But they should also remember that selling direct can lead to channel conflicts (mentioned in the next section).
- **Reintermediation.** The new intermediaries created through reintermediation described by Sarkar *et al.* (1996) should be evaluated for suitability for partnering in affiliate arrangements – e.g. Kelkoo, which receives a commission on each click or sale resulting from a referral from its site.
- **Countermediation.** Countermediation refers to the strategic options to make better use of online intermediaries, such as through partnering with independent intermediaries, purchasing or creating an independent intermediary. For example, a group of European airlines have joined forces to form Opodo (www.opodo.com), which is intended to counter independent companies such as Lastminute.com (www.lastminute.com) and eBookers (www.ebookers.com) in offering discount fares.

When considering channel structures it is important to remember that there may be implications for the physical distribution channel – e.g. grocery retailers have had to identify the best strategy for picking customers' goods prior to home delivery. Options include in-store picking (selection of items on customer orders) and regional picking centres. The former is proving more cost-effective.

3 Channel conflicts

A significant threat arising from the introduction of an Internet channel is that while disintermediation gives a company the opportunity to sell direct and increase profitability on products, it can also threaten distribution arrangements

with existing partners. Such channel conflicts are described by Frazier (1999), and need to be carefully managed. Frazier identifies some situations when the Internet should only be used as a communications channel. This is particularly the case where manufacturers offer an exclusive, or highly selective, distribution approach. To take an example, a company manufacturing expensive watches costing thousands of pounds will not in the past have sold direct, but will have used a wholesaler to distribute watches via retailers. If this wholesaler is a powerful player in the watch distribution supply chain, they will react against the watch manufacturer selling directly to the consumer. The wholesaler may even refuse to act as distributor and may threaten to distribute only a competitor's watches, which are not available over the Internet. Furthermore, direct sales may damage the product's brand or change its price positioning.

Further channel conflicts involve other stakeholders including sales representatives and customers. Sales representatives may see the Internet as a direct threat to their livelihood. In some cases, such as Avon Cosmetics™ and Encyclopaedia Britannica™, this has proved to be the case, with this sales model being partly or completely replaced by the Internet. Avon Cosmetics has built its online presence and has a new three-year strategy designed to rebuild the business online out of their new London headquarters (BBC, 2016). For many B2B purchases, sales representatives remain an essential method of reaching the customer to support them in the purchase decision. Here, following training of sales staff, the Internet can be used as a sales support and customer education tool. Customers who do not use the online channels may also respond negatively if lower prices are available to their online counterparts. This is less serious than other types of channel conflict.

To assess channel conflicts it is necessary to consider the different forms of channel the Internet can take. These are:

- a communication channel only;
- a distribution channel to intermediaries;
- a direct sales channel to customers;
- any combination of the above.

To avoid channel conflicts, the appropriate combination of channels must be arrived at. For example, Frazier (1999) noted that using the Internet as a direct sales channel may not be wise when a product's price varies considerably across global markets. In the watch manufacturer example, it may be best to use the Internet as a communication channel only.

Digital channel strategy will, of course, depend on the existing arrangements for the market. If a geographical market is new and there are no existing agents or distributors, there is unlikely to be channel conflict in that there is a choice of distribution through the Internet only or appointments of new agents to support Internet sales, or a combination of the two. Often SMEs will attempt to use the Internet to sell products without appointing agents, but this strategy will only be possible for retail products that need limited pre-sales and after-sales support. For higher-value products such as engineering equipment, which will require skilled sales staff to support the sale and after-sales servicing, agents will have to be appointed.

For existing geographical markets in which a company already has a mechanism for distribution in the form of agents and distributors, the situation is more complex and there is the threat of channel conflict. The strategic options available when an existing reseller arrangement is in place have been described by Kumar (1999):

- **No Internet sales.** Neither the company nor any of its resellers makes sales over the Internet. This will be the option to follow when a company, or its resellers, feel that the number of buyers has not reached the critical mass thought to warrant the investment in an online sales capability.
- **Internet sales by reseller only.** A reseller who is selling products from many companies may have sufficient aggregated demand (through selling products for other companies) to justify the expense of setting up online sales. The manufacturer may also not have the infrastructure to fulfil orders direct to customers without further investment, whereas the reseller will be set up for this already. In this case it is unlikely that a manufacturer would want to block sales via the Internet channel.
- **Internet sales by manufacturer only.** It would be unusual if a manufacturer chose this option if it already had existing resellers in place. Were the manufacturer to do so, it would probably lead to lost sales as the reseller would perhaps stop selling through traditional channels.
- **Internet sales by all.** This option is arguably the logical future for Internet sales. It is also likely to be the result if the manufacturer does not take a proactive approach to controlling Internet sales.

Strategy will need to be reviewed annually and the sales channels changed as thought appropriate. Given the fast rate of change of e-commerce, it will probably not be possible to create a five-year plan! Kumar (1999) notes that history suggests that most companies have a tendency to use existing

distribution networks for too long. The reason for this is that resellers may be powerful within a channel and the company does not want to alienate them, for fear of losing sales.

4 Virtual organisations

Benjamin and Wigand (1995) state that ‘it is becoming increasingly difficult to delineate accurately the borders of today’s organisations’, and a further implication of the introduction of electronic networks such as the Internet is that it becomes easier to outsource aspects of the production and distribution of goods to third parties. This can lead to the boundaries within an organisation becoming blurred. Employees may work in any time zone, and customers are able to purchase tailored products from any location. The absence of any rigid boundary or hierarchy within the organisation should lead to a company becoming more responsive and flexible, and having a greater market orientation.

Kraut *et al.* (1998) suggested the following features of a **virtual organisation**, which remain relevant:

- Processes transcend the boundaries of a single form and are not controlled by a single organisational hierarchy.
- Production processes are flexible, with different parties involved at different times.
- Parties involved in the production of a single product are often geographically dispersed.
- Given this dispersion, coordination is heavily dependent on telecommunications and data networks.

Virtual organisation

A virtual organisation uses information and communications technology to allow it to operate without clearly defined physical boundaries between different functions. It provides customised services by outsourcing production and other functions to third parties.

All companies tend to have some elements of the virtual organisation. The process whereby these characteristics increase is known as **virtualisation**. Malone *et al.* (1987) argued that the presence of electronic networks tends to lead to virtualisation since they enable the governance and coordination of business transactions to be conducted effectively at lower cost.

Virtualisation

The process whereby a company develops more of the characteristics of a virtual organisation.

What are the implications for a marketing strategist of this trend towards virtualisation? Initially it may appear that outsourcing does not have direct relevance to market orientation. However, an example shows the relevance. Michael Dell (in Magretta, 1998) said that Dell did not see outsourcing as getting rid of a process that does not add value; rather it sees it as a way of 'coordinating their activity to create the most value for customers'. Dell improved its customer service by changing the way it works with both its suppliers and its distributors to build a computer to the customer's specific order within just six days. This *vertical integration* has been achieved by creating a contractual vertical marketing system in which members of a channel retain their independence, but work together by sharing contracts.

So, one aspect of virtualisation is that companies should identify opportunities for providing new services and products to customers looking to outsource their external processes. The corollary of this is that it may offer companies opportunities to outsource some marketing activities that were previously conducted in-house. For example, marketing research to assess the impact of a website can now be conducted in a virtual environment by an outside company rather than by having employees conduct a focus group.

At a more practical level, electronic partnerships can be used to deliver the entire marketing mix referenced in this chapter through standardised data exchange interfaces, which include:

- advertising through Paid Search networks (e.g. Google Ads);
- promoting services through feeds on price comparison search engines (e.g. Kelkoo or Google Shopping);
- promoting services through affiliate networks (e.g. CJ Affiliate™) or advertising networks (e.g. Google AdSense™ publishers programme);
- procuring expertise for short-term digital marketing work through an online web skills marketplace such as Guru™ (www.guru.com) and Upwork™ (www.upwork.com);
- use of secure payment system services such as PayPal or Google Pay™;
- analysis of web performance through online web analytics services (e.g. Google Analytics™).

Promotion

The **Promotion variable** of the marketing mix refers to how marketing communications are used to inform customers and other stakeholders about an organisation and its products. The Internet and digital marketing techniques are highly important and have significant implications for marketing communication planning and for this reason digital promotions are covered in depth in Chapters 8 and 9. In this chapter the aim is to briefly outline the core components of Promotions.

Promotion variable

The element of the marketing mix that involves communication with customers and other stakeholders to inform them about the product and the organisation.

According to Jobber and Ellis-Chadwick (2016), ‘Good communications are the lifeblood of successful market-orientated companies and their brands. But creating good communications presents many challenges’. Digital technology is changing the way individuals and business communicate, the channels through which they communicate and the number of touchpoints encountered. Modern businesses are developing more integrated approaches towards the use of communications tools in order to maximise the opportunities to deliver messages to their target audiences. The main elements of the promotional mix a business might use to communicate, and their online equivalents summarised by Chaffey and Smith (2012), are shown in [Table 5.2](#).

Specification of the Promotion element of the mix is usually part of a communications strategy. This will include selection of target markets, positioning and integration of different communications tools. The Internet offers a new, additional marketing communications channel to inform customers of the benefits of a product and assist in the buying decision. Here are some different approaches for looking at how the Internet can be used to vary the Promotion element of the mix:

1. reviewing new ways of applying each of the elements of the communications mix – such as advertising, sales promotions, PR and direct marketing;
2. assessing how the Internet can be used at different stages of the buying process;

3. using promotional tools to assist in different stages of customer relationship management, from customer acquisition to retention. In a web context this includes gaining initial visitors to the site and gaining repeat visits using a number of communications techniques:
- reminders in traditional media campaigns of why a site is worth visiting – such as online services and unique online offers and competitions;
 - direct email reminders of site proposition – new offers;
 - frequently updated content – including promotional offers or information that helps your customer do their job or reminds them to visit.

Table 5.2 The main elements of the promotional mix

Communications tool	Online implementation
Advertising	Interactive display ads, pay-per-click search advertising, targeted ads in social networks
Selling	Virtual sales staff, site merchandising, assisted selling (including livechat) and affiliate marketing
Sales promotion	Incentives such as coupons, rewards, online loyalty schemes
Public relations	Online PR and influencer outreach, blogs, e-newsletters, newsletters, social networks, links and viral campaigns
Sponsorship	Sponsoring an online event, site or service
Direct mail	Opt-in email using e-newsletters and focused ‘solus’ emails
Exhibitions	Webinars, virtual exhibitions and white-paper distribution
Merchandising	Promotional ad-serving on retail sites, personalised recommendations and email alerts
Packaging	Virtual tours, real packaging displayed online
Word of mouth	Social, viral, affiliate marketing, email a friend, links

The Promotion element of a marketing plan also requires three important decisions about investment for the online promotion or the online communications mix:

- **Investment in site promotion compared to site creation and maintenance.** Since there is often a fixed budget for site creation, maintenance and promotion, the e-marketing plan should specify the budget for each to ensure there is a sensible balance and the promotion of the site is not underfunded.
- **Investment in online promotion techniques in comparison to offline promotion.** A balance must be struck between these techniques. Typically, offline promotion investment often exceeds that for online promotion investment. For existing companies, traditional media such as print are used to advertise the sites, while print and TV will also be widely used by [dot.com](#) companies to drive traffic to their sites.
- **Investment in different online promotion techniques.** For example, how much should be paid for banner advertising as against online PR about online presence, and how much for search engine registration?

People, Process and Physical evidence

The People, Process and Physical evidence elements of the mix are closely related and often grouped as ‘the service elements’. They are significant since the level of perceived service will impact on a customer’s loyalty and the probability of their recommending the service. Since this issue is closely related to the online customer experience, we also look at issues of website performance and response to customer emails in [Chapter 7](#), including review of frameworks such as WEBQUAL and E-SERVQUAL for assessing service effectiveness.

Some of the key issues in improving the delivery of service online have been summarised by Rayport *et al.* (2005). They identify these questions that senior executives and managers should ask to assess the combination of technology and human assistance that is used to deliver service. We have added some typical examples of applications for each type:

1. **Substitution.** Deploying technology instead of people (or the opposite situation), for example:
 - frequently asked questions section on a website;

- in-site search engine;
 - avatar offering answers to questions, as in the Ikea ‘Ask Anna’ feature;
 - automated email response or a series of ‘Welcome’ emails educating customers about how to use a service;
 - using video to demonstrate products online.
2. **Complementarity.** Deploying technology in combination with people, for example:
- call-back facility where the website is used to set up a subsequent call from a contact centre;
 - online chat facility – the user chats through exchanging text messages on the website;
 - an employee using a WiFi-enabled hand-held device to facilitate easy rental-car returns.
3. **Displacement.** Outsourcing or ‘off-shoring’ technology or labour, for example:
- a fast-food chain centralising drive-through order taking in a remote call centre;
 - the online chat or call-back systems referred to above can be deployed at a lower cost through outsourcing.

Note that this perspective doesn’t stress another important aspect of the service elements of the online marketing mix, namely the participation by other customers in shaping a service through their feedback and the collaboration that occurs as customers answer other customers’ questions in a forum.

We will now review the different parts of the service elements of the mix in more detail.

People

The **People variable** of the marketing mix relates to how an organisation’s staff interact with customers and other stakeholders during sales and pre- and post-sales communications with them.

People variable

The element of the marketing mix that involves the delivery of service to customers during interactions with those customers.

Chaffey and Smith (2012) make a similar point to Rayport *et al.* (2005) when they suggest that, online, the main consideration for the People element of the mix is the review of how staff involvement in the buying is changed, either through new roles such as replying to emails or online chat enquiries, or through their being replaced through automated online services.

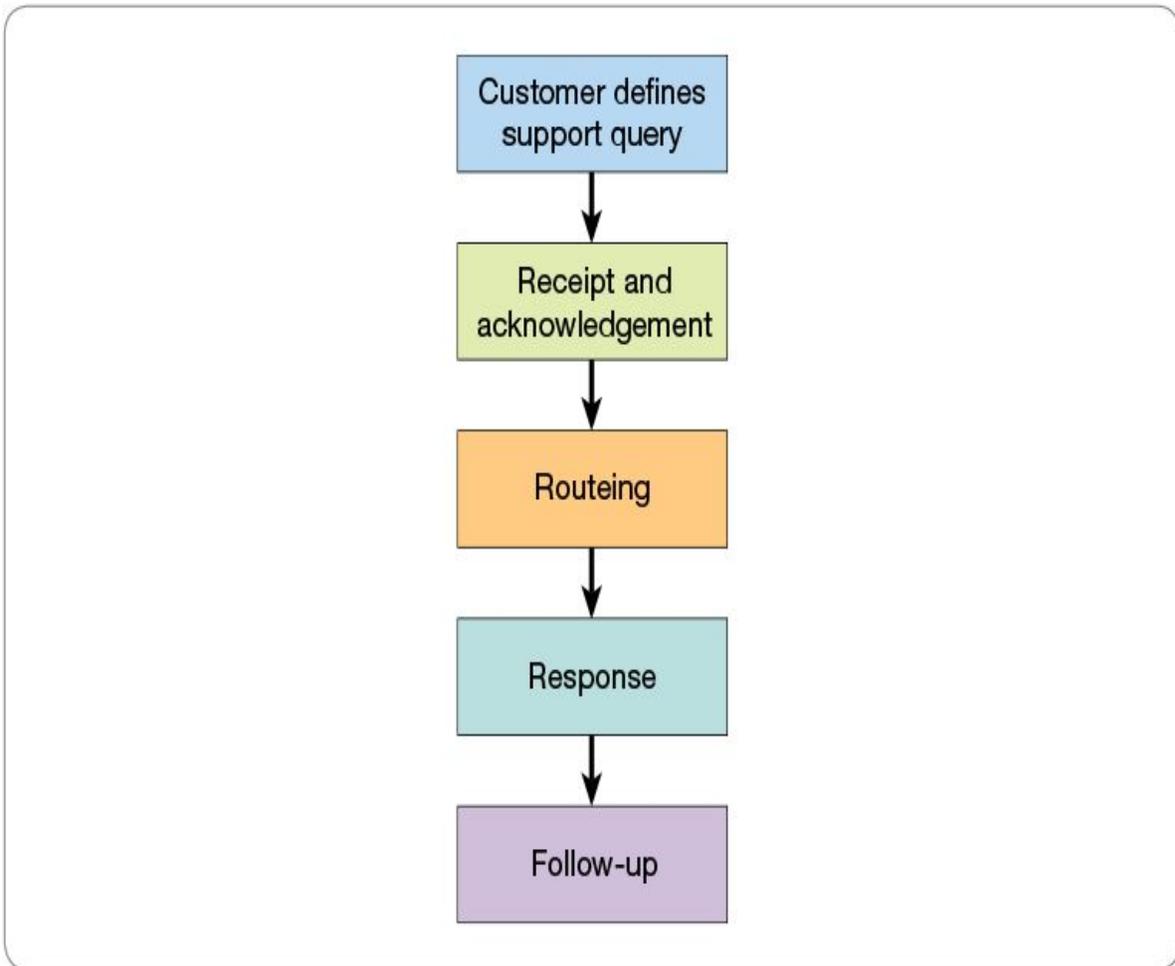
While the options for this form of customer service outlined above are straightforward, what is challenging is to implement the applications effectively. For example, if an FAQ doesn't have sufficient relevant answers or a call-back does not occur at the right time, then the result will be a dissatisfied customer who is unlikely to use a service again or will tell others about their experience either through ratings in shopping comparison engines.

To manage service and quality, organisations must devise plans to accommodate the five stages shown in [Figure 5.8](#).

Stage 1: Customer defines support query

Companies should consider how easily the customer can find contact points and compose a support request on site. Best practice is clearly to find email support options. Often, finding contact and support information on a website is surprisingly difficult. Standardised terminology on site is 'Contact Us', 'Support' or 'Ask a Question'. Options should be available for the customer to specify the type of query on a web form, or provide alternative email addresses such as products@company.com or returns@company.com on site, or in offline communications such as a catalogue. Providing FAQs or automated diagnostic tools should be considered at this stage to reduce the number of inbound enquiries. Epson™ (www.epson.co.uk) provides an online tool to diagnose problems with printers and to suggest solutions.

Figure 5.8 Stages in managing inbound email



Finally, the website should determine expectations about the level of service quality. For example, inform the customer that ‘your enquiry will be responded to within 24 hours’.

Avatars are increasingly being used to reduce the need for enquiries, such as ‘Ask Anna’ on the Ikea site. Research by Holzwarth *et al.* (2006) found that use of an avatar-based sales agent can lead to more satisfaction with the retailer, a more positive attitude towards the product and a greater purchase intent. They investigated the usage of ‘attractive’ versus ‘expert’ advisers, dependent on the complexity of the purchase decision.

Avatar

A term used in computer-mediated environments to mean a ‘virtual person’. Derived from the word’s original meaning: ‘n. the descendant of a Hindu deity in a visible form; incarnation; supreme glorification of any principle’.

Stage 2: Receipt of email and acknowledgement

Best practice is that automatic message acknowledgement occurs. This is usually provided by **autoresponder** software. While many autoresponders only provide a simple acknowledgement, more sophisticated responses can reassure the customer about when the response will occur and highlight other sources of information.

Autoresponder or ‘mailbots’

Software tool or ‘agent’ running on web servers that automatically sends a standard reply to the sender of an email message.

Stage 3: Routing of email

Best practice involves automated routing or workflow. Routing the email to the right person is made easier if the type of query has been identified through the techniques described for Stage 1. It is also possible to use pattern recognition to identify the type of enquiry.

Stage 4: Compose response

Best practice is to use a library of pre-prepared templates for different types of query. These can then be tailored and personalised by the contact centre employee as appropriate. The right type of template can again be selected automatically using the software referred to in Stage 2.

Stage 5: Follow-up

Best practice is that if the employee does not successfully answer the first response, then the email should suggest callback from an employee or a live chat. Indeed, to avoid the problem of ‘email ping-pong’ where several emails may be exchanged, the company may want to proactively ring the customer to increase the speed of problem resolution, and so solve the problem. Finally, the email follow-up may provide the opportunity for outbound contact and marketing, perhaps advising about complementary products or offers.

Process

The **Process variable** of the marketing mix refers to the methods and procedures companies use to achieve all marketing functions – such as new product development, promotion, sales and customer service (as described in the previous section). The restructuring of the organisation and channel

structures to accommodate online marketing, which were described in the previous chapter, are part of Process.

Process variable

The element of the marketing mix that involves the methods and procedures companies use to achieve all marketing functions.

Customer contact strategies are a compromise between delivering quality customer service with the emphasis on customer choice and minimising the cost of customer contacts. Typical operational objectives that should drive the strategies and measure effectiveness are:

- to minimise average response time per email and the range of response time from slowest to fastest – this should form the basis of an advertised service quality level;
- to minimise clear-up (resolution) time – for example, number of contacts and elapsed time to resolution;
- to maximise customer satisfaction ratings with response;
- to minimise average staff time and cost per email response.

Customer contact strategies for integrating web and email support into existing contact centre operations usually incorporate elements of the following options:

- **Customer-preferred channel.** Here the company uses a customer-led approach where customers use their preferred channel for enquiry, whether it be phone call-back, email or live chat. There is little attempt made to influence the customer as to which is the preferable channel. Note that while this approach may give good customer satisfaction ratings, it is not usually the most cost-effective approach, since the cost of phone support will be higher than customer self-service on the web, or an email enquiry.
- **Company-preferred channel.** Here the company will seek to influence the customer on the medium used for contact. For example, easyJet encourages customers to use online channels rather than voice contact to the call centre for both ordering and customer service. Customer choice is still available, but the company uses the website to influence the choice of channel.
- **Delivering customer services and assisted sales through Livechat is increasingly popular.** For example, mobile phone company EE uses

‘Liveperson’ for customer service and assisted sales, as explained in [Mini case study 5.3: Online customer service at EE](#).

Mini case study 5.3: Online customer service at EE™

Established as a joint venture, bringing together the UK businesses of Orange and T-Mobile, EE (formerly Everything Everywhere) is now the UK’s largest mobile phone company.

EE employs more than 11,000 customer-facing employees, covering both service and sales, and all are experts in mobile devices and operating systems. In the course of a year, the company registers around 86 million customer conversations via online and offline channels.

EE wants to be considered best in service across all channels and saw LiveChat as an important new way to establish high levels of customer satisfaction in relation to transactional queries and general enquiries on the site.

Digital engagement solutions provided by LivePerson support the online sales operation and customer upgrades operations by enabling meaningful, real-time connections with website visitors. Using LiveChat to engage directly with customers, EE is driving conversions, increasing incremental sales and improving the online experience. LivePerson also provides predictive modelling and analytics, enabling EE to identify customers whose behaviours indicate they may require help with the purchase decision. This is achieved by tracking the activity of individuals as they move through the site. Behaviours such as lingering on a page for a longer than average time or the triggering of multiple error messages can be a strong indicator that assistance is needed. At these points, invitations to chat are served proactively. By offering help when it is most needed, EE has succeeded in raising sales, while also improving customer satisfaction rates and enhancing perception of the EE brand. Equally important, each engagement is unique to the individual, ensuring a personalised and therefore relevant experience.

In 2013, when the service was introduced, real-time engagement via chat resulted in 30,000 contract sales, running at a rate of 0.5 sales per agent per hour. This rate is roughly twice as productive as the average for telephone sales agents and ten times more effective than the rates achieved by agents in bricks-and-mortar stores. Customers who generally self-serve convert at around 1 per cent, whereas with real-time sales engagement the conversion rate is five times higher. The upgrade team consistently converts at over 40 per cent, with CSAT measured at above 80 per cent. The all-important customer satisfaction (CSAT) score for the chat channel currently stands at 83 per cent. At the same time, by deflecting direct contact from call centres onto an online channel with support from chat agents, EE is reinforcing its status as a service-focused digital brand. The success of real-time engagement in the sales channel has also prompted innovation. Customers searching for EE via Google now have the option of clicking through to a chat agent from the search engine itself, and similar direct links are to be established with selected affiliate and price comparison sites.

In 2018, LivePerson and IBM Watson joined forces to offer a bot powered by intelligent technology, which enables consumers to message leading brands and receive AI-powered responses, which seamlessly integrate with human customer service representatives. The new

system delivers benefits to callers by helping them to avoid multi-layered automated systems before speaking to a real call operator.

Source: LivePerson customer success story.

Physical evidence

The **Physical evidence variable** of the marketing mix refers to the tangible expression of a product and how it is purchased and used. In an online context, ‘physical evidence’ refers to the customer’s experience of the company through the website. It includes issues such as site ease of use or navigation, availability and performance, which are discussed further in [Chapter 7](#).

Physical evidence variable

The element of the marketing mix that involves the tangible expression of a product and how it is purchased and used.

Case study 5: Spotify streaming develops new revenue models

Spotify™ is a streaming music service originally developed in 2006 in Sweden and launched in 2008. Spotify Ltd now operates as the parent company in London, while Spotify AB manages research and development in Stockholm.

This case study about the online music subscription service illustrates how different elements of the mix can be varied online. It also highlights success factors for developing an online marketing strategy.

At the time of writing, Spotify was valued at more than \$23 billion as it filed for stock market listing. It has over 159 million users and 71 million premium members who pay for services, which raised over \$5 billion in revenue (Young, 2018).

Context

Spotify was not the first online entrant to online music services, but it was an innovator in marketing approaches, technology and subscription options that have enabled it to become a market leader in music subscription. In 1999, Napster™ launched the first widely used service – ‘free’ peer-to-peer (P2P) music-sharing channel. This innovative approach to sharing music became subject to legal challenges from major record companies, and Napster lost revenues on music sales and was eventually forced to close. This was not the end of sharing digital music for Napster as the brand was purchased and it has had several owners such as Roxio, Best Buy and then became part of the Rhapsody music services, in direct competition to Spotify in Europe as its US operation was shut down. The importance of

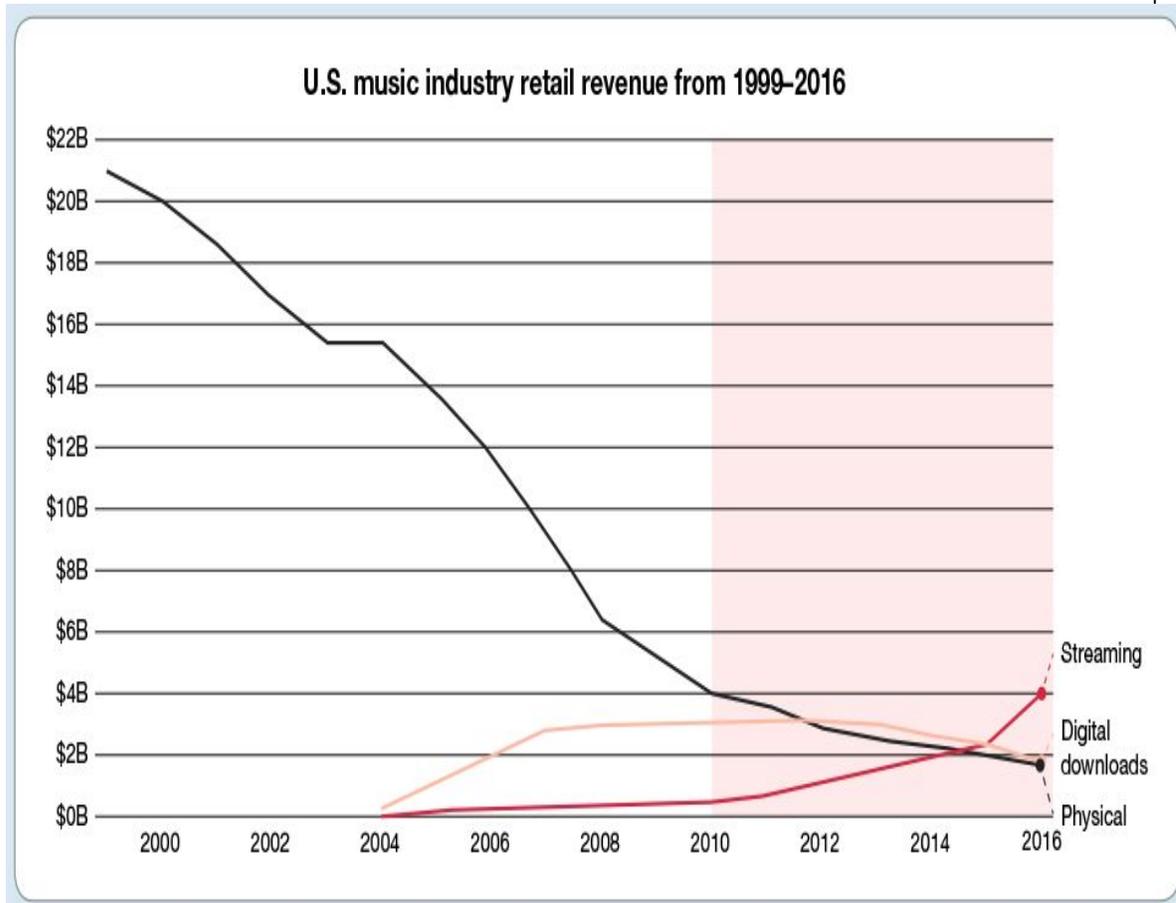
Napster today is perhaps that it demonstrated to the world what was possible in terms of sharing digital music. **Figure 5.9**, shows the growth in revenue for streaming in the music industry. Spotify has grown into a significant global brand and is driving market growth by focusing on delivering more personalised music playlists, e.g. **Spotify.me** and mytimecapsule (Guditch, 2017).

Revenue model and value proposition

Spotify operates a freemium model, with the majority of its users streaming music to their mobiles or desktop via apps or web browsers. Free subscribers get ads between tracks, which are part of the Spotify revenue model. Users of the free service encounter audio ads every five or six songs, or approximately three minutes of advertising for every hour of listening.

Spotify Premium users pay a fixed monthly fee to get additional features (**Figure 5.9**), including offline listening and no interruptions from ads.

Figure 5.9 Changes in retail revenue in the US music industry



Source: <https://www.recode.net/2018/2/28/17064460/spotify-ipo-charts-music-streaming-daniel-ek>

The Wikipedia entry for Spotify has charted the growth of Spotify:

In November 2011 more than 2.5 million paying subscribers signed up to its service. This followed 500,000 premium users signing up since its partnership with Facebook's 'Open

Graph', which allows people to share the tracks they were listening to with friends. It also launched in the United States in 2011.

In August 2012 there were four million paying Spotify subscribers responsible for at least €20 million per month in revenue.

By March 2013, Spotify had grown to six million paying customers globally (a figure that remained in December 2013) and 24 million total active users.

By May 2014, Spotify had grown to ten million paying customers and 30 million free users.

By January 2015, Spotify had grown to 15 million paying customers and 45 million free users.

By January 2018, Spotify had 30 million songs in its catalogue, 140 million active users each month and over 70 million premium customers (Wikipedia, 2018).

Through licensing the service to other businesses there are further opportunities for revenue. For example, in January 2015, PlayStation[®] announced that Spotify would power its new music service called PlayStation[®] Music.

In 2017, Spotify introduced 'Secret Genius', which provided a way of highlighting songwriters and producers and 'Show credits', giving details of these individuals. This initiative provides opportunities to drive sales and enable fans to build connections that could lead to future sales (Spotify, 2018).

The company pays roughly 70 per cent of its revenue for royalties to artists and companies that hold the rights to the music. Spotify pays artists and labels per streamed track. In the past, artists have questioned the value that Spotify returns, with some major global artists such as Taylor Swift and AC/DC withdrawing some or all of their music from the platform. However, after a three-year boycott, Taylor Swift made her whole back catalogue available on Spotify (Sweeney, 2017) and for many other less well-known artists it provides a way to reach new audiences through recommendations and playlists, and gain royalties from listeners they would previously not have received any revenue from. Spotify makes the case that it aims to regenerate lost value by converting music fans from these poorly monetised formats (e.g. illegal download services) to the paid streaming format, which produces far more value per listener.

Value proposition

In addition to the core music listening service, Spotify has developed other features to add to the value of the service, which have also given opportunities to spread awareness of the site through co-marketing.

Spotify claims that its users are highly engaged, with the average multiplatform user spending 146 minutes a day using the service. Between 2013 and 2014 the share of users listening on mobile tripled, although more than 50 per cent of sessions are still on desktop. In 2017, the introduction of the 'Rise' program, in conjunction with the new awards ceremony, aims to encourage emerging artists and highlight excellent talent.

Advertising

Spotify has developed a range of innovative advertising formats to build its revenue, mainly from its free subscribers. Spotify uses data-driven analytics to help determine its ad spend and target markets; users' data insights identify behaviour, which then inform the ads, the

content and the messages that promotional tools and media can use. For example, the '2018 Goals' campaign used Spotify users' habits to create humorous resolutions and personal aims and presented these using billboards. The campaign worked really well as it tapped into music lovers' psyche, and the music we listen to is part of who we are (Nudd, 2017).

Other examples include:

- **Audio Ad.** A cross-platform, unavoidable format comprised of an audio spot, cover art and clickable campaign name.
- **Display.** Leaderboard ads in the Spotify player are served when the user is interacting with Spotify.
- **Homepage Takeover.** Block out a full day for your brand on our Homepage.
- **Branded Playlist.** Custom user-generated playlists with brand logo, custom text and optional link to your campaign.
- **Sponsored Session.** Users choose to watch a video to receive a 30-minute, ad-free session.
- **Video Takeover.** Sponsor the ad break experience with video and display.
- **Advertiser Page.** A microsite seamlessly integrated into the Spotify player. The Advertiser Page can contain practically any content you'd find on a webpage, including videos, clickable images, blogs, news, links and comments.

A campaign run on Spotify was for the launch of the BMW 320i for which an 'American Road Trip' campaign was developed. A branded app on Spotify enabled users to select from one of five iconic American road trips. Based on their selection, a custom playlist was generated featuring songs and artists from regions along the selected route. A BMW video was served during playlist generation and the final playlist was sharable via social media. The campaign resulted in more than 14,000 playlists being created.

Competition

Spotify faces competition from existing online music services such as Apple Music™, but given that this is an evolving marketplace, other major competitors can be expected. For example, Google launched Google Play Music™ subscription service via YouTube, and Apple purchased the Beats™ subscription service earlier in the year. Amazon also now offers Prime Music™ subscription to customers who are in its loyalty programme.

Marketing

Unlike in the '[dot.com](#) era' when startups with global aspirations launched using TV campaigns, Spotify's growth has taken a more modest approach, relying on word of mouth, PR and co-marketing rather than big ad budgets.

The launch of Spotify in the US used private 'Beta' invites to create a buzz, as those with access shared their use of it in social media (and through word of mouth).

The music streaming service went live in October 2008, and it kept its free service as invitation only – something that had been in place while it was in the final stages of development prior to public launch.

The invitation-only element was a vital part of the platform's rise. Not only did it help manage the growth level of Spotify, but it also helped create a viral element to the service, with users each having five invites at first to share with their friends.

Spotify has used co-marketing and partnerships with publishers to increase its reach by embedding different formats of widgets on other sites. For example, Drowned In Sound has a

monthly playlist that it embeds within its blog, which encourages its readers to engage with Spotify. Other partnership services enable festivals and charities to engage their audience through Spotify playlists.

To grow its audience beyond its traditional younger audience, Spotify today invests more in campaigns. In 2013 it launched a multiplatform campaign, with a 30-second ad spot during the season premiere of NBC's *The Voice*. Sixty-second versions of the commercial aired in *The Tonight Show with Jay Leno* and *Late Night with Jimmy Fallon*.

In 2014 Spotify launched a 'Music takes You Back' ad (www.youtube.com/watch?v=BaDe9Pgkpl4) in the UK and US, which featured in cinema, digital signage and online. It centres around three videos that showcase three different people's stories through the medium of Spotify, Facebook, text messages, Skype and Instagram. Its aim is to show how Spotify can bring people together through its integration with social media. Spotify decided not to use TV, creating 75- to 90-second videos rather than the typical 30-second TV ad break slots.

Question

1. Assess how Spotify competes with traditional and online music providers by reviewing the approaches it uses for different elements of the marketing mix.

Summary

1. Evaluating the opportunities provided by the Internet for varying the marketing mix is a useful framework for assessing current and future digital marketing strategy.
2. **Product.** Opportunities for varying the core product through new information-based services and also the extended product should be reviewed.
3. **Branding.** This is an important concept in the digital marketplace but, in addition, each of the established elements of a brand offline (e.g. domain, value, assets, heritage) need careful consideration as to how they relate to the online world. Additionally, the context in which we encounter online brands is an important consideration.
4. **Price.** The Internet leads to price transparency and commoditisation and hence lower prices. Dynamic pricing gives the ability to test prices or to offer differential pricing for different segments or in response to variations in demand. New pricing models such as auctions are available.
5. **Place.** This refers to place of purchase and channel structure on the Internet. There are three main locations for e-commerce transactions: seller

site, buyer site and intermediary. New channel structures are available through direct sales and linking to new intermediaries. Steps must be taken to minimise channel conflict.

6. **Promotion.** This aspect of the mix is discussed in more detail in [Chapter 8](#).
7. **People, Process and Physical evidence.** These aspects of the mix are discussed in more detail in [Chapters 6 and 7](#) in relation to customer relationship management and service delivery.

Exercises

Self-assessment exercises

1. Select and explain the two important changes introduced by the Internet for each of the 7Ps.
2. What types of product are most amenable to changes to the core and extended product in digital environments?
3. Explain the implications of the Internet for Price.
4. What are the implications of the Internet for Place?
5. Explain how digital channels have altered how companies can differentiate their brands using the mix.

Essay and discussion questions

1. 'The marketing mix developed as part of annual planning is no longer a valid concept in the Internet era.' Discuss.
2. Critically evaluate the impact of the digital on the marketing mix for an industry sector of your choice.
3. Discuss the potential impact of the Internet on a firm's pricing policies.
4. Discuss the opportunities offered by the Place element of the mix for a) physical retailers and b) digital retailers.

Examination questions

1. Explain the opportunities provided by digital channels for leading brands when launching new products.
2. Explain two applications of dynamic pricing on the Internet.

3. How does the Internet impact an organisation's options for core and extended (augmented) product?
4. Briefly summarise the implications of the Internet on each of these elements of the marketing mix:
 - a Product
 - b Price
 - c Place
 - d Promotion.
5. Discuss the extent to which the Internet is affecting the physical high street.
6. How can an organisation vary its promotional mix using the Internet?

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Weblinks

- **Chris Anderson** has a blog site The Long Tail (www.thelongtail.com), to support his book on the topic published in 2006 by Hyperion, New York.
- **ClickZ** (www.clickz.com). An excellent collection of articles on online marketing communications, US-focused. Relevant section for this chapter: brand marketing.
- **The Culturally Customized Website** (www.theculturallycustomizedwebsite.com). Resources supporting the authors' book of the same title.
- **Gladwell.com** (<http://gladwell.typepad.com/>). Author's site with extracts from *The Tipping Point* and other books.
- **Paul Marsden's** Viralculture site (www.viralculture.com). Articles related to *The Tipping Point* and connected marketing.

Chapter 6

Relationship marketing using digital platforms

Chapter at a glance

Main topics

- Using social media to improve customer loyalty and advocacy
- The challenge of customer engagement
- Customer lifecycle management strategy

Case study

Case study 6: Dell gets closer to its customers through its social media strategy

Learning objectives

After reading this chapter, you should be able to:

- Assess the relevance and alternative approaches for using digital platforms for customer relationship management by encouraging interactions through social media, mobile notifications and email marketing
- Evaluate the potential of data-driven marketing, Artificial Intelligence and 'Big Data' using digital technology and marketing automation to deliver more relevant interactions
- Assess how to integrate social and mobile interactions to develop social CRM capabilities.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- How can we improve customer loyalty and service using marketing automation to increase the value and satisfaction of customers through the customer lifecycle?
- How do we improve audience engagement and loyalty using mobile, social and messaging applications and integrate these through marketing orchestration.
- How can I apply Artificial Intelligence and personalisation cost-effectively in my marketing?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 4](#) introduces customer lifecycle-based segmentation models.
- [Chapter 7](#) has guidelines on how to develop the right customer experience to assist in forming and maintaining relationships.
- [Chapter 8](#) describes methods of acquiring customers for one-to-one marketing.
- [Chapters 10](#) gives examples of relationship marketing in the business-to-consumer and business-to-business markets.

Introduction

Building long-term relationships with customers is essential for any sustainable business. The advent of digital marketing means that comparing and switching providers of different services is easier than previously. Yet improved insights about our audiences and new personalised messaging channels give new opportunities to build relationships and encourage loyalty and decrease **churn rates**. Failure to build relationships to gain repeat visitors and sales has caused the failure of many online startups, which have forfeited large expenditure on customer acquisition. Research summarised by Reichheld and Schefter (2000) showed that acquiring online customers is so expensive (he suggested 20–30 per cent higher than for traditional businesses) that startup companies may remain unprofitable for at least two to three years. The research also shows that by retaining just 5 per cent more customers, online companies can boost their profits by between 25 and 95 per cent.

Churn rates

The percentage of customers who end their relationship with a company, typically calculated as the number of customers who left a company during a period divided by total customers at the beginning of the period. It is straight-forward to calculate for subscription businesses, but requires a definition of ‘active customers’ for other types of business, such as retailing.

Over the last three decades or more, relationship marketing, direct marketing and database marketing have combined to enable **customer relationship management (CRM)**. More recently, **marketing automation technology** has been widely used across businesses to create rules that schedule more relevant emails and personalised communications on company websites. Marketing automation is a potentially powerful digitally-enabled technique since it can provide more relevant, more contextual messaging to customers, which has an improved response and value to customers because of its relevance. Marketing automation can support different touchpoints across the lifecycle shown in [Figure 1.1](#). For prospect and customer communications in larger enterprises, the management of these messages is now often known as **marketing orchestration** – part of the ‘always-on’ approach to communications used to deliver relevant messages, as shown in Digital marketing insight 6.1 about the goals of marketing orchestration. The analogy of a conductor and their orchestra is appropriate since it suggests the large number of people who need to be aligned in their actions at the right time.

Customer relationship management (CRM)

A marketing-led approach to building and sustaining long-term business with customers.

Marketing automation technology

Enables businesses to automate tasks in the marketing and sales process to deliver more relevant communications, typically delivered as personalised emails and website messages.

Marketing orchestration

Designing customer contact strategies to deliver the most relevant, most responsive messages integrated across different communications channels based on customer context. Communications strategies are managed by marketing automation systems using rules or Artificial Intelligence based on Big Data analysis rather than manually created campaigns.

Given the challenge of churn and the difficulty in achieving customer engagement with the increase in media fragmentation and the development of high-attention media such as social networks, the need for developing a structured, automated approach to communicating with customers across the lifecycle has become more urgent. Dave Chaffey has emphasised the importance for companies of building and refining an integrated multichannel touch or contact strategy that delivers customised communications to consumers using different media including display ads, social media, email and web recommendations and promotions (see [Digital marketing insight 6.1](#)).

Every customer interaction or response to a communication should be followed up by a series of relevant communications delivered by the right combinations of channel (web, email, phone, direct mail) to elicit a response or further dialogue. This is **contextual marketing**, where the aim is to deliver relevant messages that fit the current context of what the customer is interested in according to the searches they have performed, the type of content they have viewed or the products they have recently purchased.

Contextual marketing

Relevant communications are delivered consistent with the context of the recipient, which can depend on their location, time or place.

A contact policy should be developed to manage and control communications so that they are at an acceptable level. The contact strategy should indicate the following:

- **Frequency** – e.g. minimum once per quarter and maximum once per month.
- **Interval** – e.g. there must be a gap of at least one week or one month between communications.
- **Content and offers** – we may want to limit or achieve a certain number of prize draws or information-led offers.
- **Links** – between online communications and offline communications.
- **A control strategy** – a mechanism to make sure communications guidelines are adhered to – for example, ensuring brand messages are checked, tested and optimised and customers are contacted at a suitable frequency in line with their privacy statements.

Examples of contact strategies for Eurooffice™ and [Tesco.com](https://www.tesco.com) were discussed in [Chapter 4](#). A simpler example of a contact strategy is shown in [Table 6.1](#).

Digital marketing insight 6.1: The goals of marketing orchestration

We have used this summary of how businesses need to manage customer communications in previous editions under the moniker coined by Dave Chaffey of ‘right touching’, but it is now updated to explain the aims of marketing communications orchestration using marketing automation. Initially, automation was achieved by rules-based techniques, such as ‘send a series of three welcome emails to new customers with different repeat purchase offers over a period of three weeks’. Today, Artificial Intelligence can be used to deliver the right message at the right time, not using rules but instead based on learning from historic response patterns.

The aim of marketing orchestration can be defined as the development of:

A multichannel communications strategy
Customised for individual prospects and customers forming segments
Across a defined customer lifecycle
Which ...
Delivers the right message
Featuring the right value proposition (product, service or experience)
With the right tone
At the right time or context
With the right frequency and interval
Using the right media/communications channels
To achieve ...
Right balance of value between both parties

Marketing automation is the term currently used to describe a closely related approach known as **one-to-one marketing**. However, owing to the costs of managing relationships on an individual level, many companies will apply marketing automation to tailor communications and offers to customer segments or groups, rather than individuals.

One-to-one marketing

A unique dialogue occurs between a company and individual customers (or groups of customers with similar needs) using automation and personalisation to increase relevance.

Structure of this chapter

We start the chapter by considering the power of social media to engage audiences across the customer lifecycle. We review social media in this chapter since it's particularly effective in encouraging advocacy among existing customers to boost awareness and preference of brands among non-customers.

We then review the challenges of customer engagement and introduce how CRM can be used to help encourage engagement. We give examples of how new techniques such as Big Data, Artificial Intelligence and machine learning are used to increase engagement. We then explain in more detail how permission marketing and data analysis are used to create more relevant communications. In the final part of the chapter, we show how advanced techniques are used to assess and increase customer value, and how **electronic customer relationship management (E-CRM)** involves creating strategies and plans for how digital technology and digital data can support CRM.

Electronic customer relationship management (E-CRM)

Using digital communications technologies to maximise sales to existing customers and encourage continued usage of online services through techniques including database, personalised web messages, customer services, email and social media marketing. Today, CRM is synonymous with E-CRM.

The interactive nature of the web combined with email, mobile and social media communications seems to provide an ideal environment in which to develop customer relationships, and databases provide a foundation for storing information about the relationship and delivering personalised customer messages via web or email. When digital marketing was in its infancy, this online approach to CRM was described separately as electronic customer relationship management (e-CRM), but it's now simply known as CRM since so many communications are electronic.

Digital marketing activities that are within the scope of CRM that we will cover in this chapter include:

- using the *website and social networks for customer development*, from generating leads through to conversion to an online or offline sale using email and web-based content to encourage purchase;
- *managing customer profile information and email list quality* (coverage of email addresses and integration of customer profile information from other

- databases to enable targeting);
- managing customer contact options through mobile, *email and social networks* to support up-sell and cross-sell;
- *data mining* to improve targeting;
- providing online personalisation or *mass customisation* facilities to automatically recommend the ‘next-best product’;
- providing *online customer service facilities* (such as frequently asked questions, call-back and chat support);
- managing *online service quality* to ensure that first-time buyers have a great customer experience that encourages them to buy again;
- managing the *multichannel customer experience* as customers use different media as part of the buying process and customer lifecycle.

Essential digital skills: Relationship marketing

The digital marketing skills needed by employers are to evaluate engagement and develop creative ways to improve audience engagement and loyalty. Specific skills include:

- assessing multichannel audience engagement and value using techniques such as RFM;
- boosting subscribers and profiling them through landing pages;
- planning a web, email and app-based contact strategy for improvement engagement;
- understanding and testing personalisation using rules and AI-based approaches;
- auditing CRM technology;
- developing creative ways to engage audiences through social media.

Practical ideas to boost employability by showcasing your interests and experiences include:

- using a free email management tool such as Mailchimp to broadcast emails to a group;
- understanding how personalisation works by trialling the free personalisation within Google Optimize on a blog.

To audit your digital marketing skills across the RACE planning framework use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Using social media to improve customer loyalty and advocacy

Social media marketing has many applications throughout the customer lifecycle, but arguably, it is most effective when it is used to develop existing relationships and encourage advocacy to create brand awareness and favourability. This advocacy is not limited to customers, it can also involve influencers, partners and employees.

This section covers strategy and practice for **organic social media marketing** for customer loyalty, PR and advocacy; social media will be explored in **Chapter 9**, with the focus on paid social media communications. This is the main section on social media in the text since often it is most effective for customer communications and advocacy.

Organic social media marketing

It's common practice to distinguish between organic and paid social media marketing activities in a similar way to organic and paid search marketing. Organic social involves using social networks and customer communities to develop relationships, share positive opinions through social media amplification and manage negative social media comments.

Brian Solis (Solis, 2011), analyst at Altimeter, captured the potential of social media for brands when he said:

Brands are either part of the conversation or they're not and, as a result, they're either part of the decision-making cycle, or they're absent from the heart, mind, and actions of the connected customer.

What is social media marketing and why is it important?

Most consumers and businesses will understand social media simply as the main social networks such as Facebook, Instagram, LinkedIn, Pinterest, Snapchat, Twitter and other social networks that have the most active users in each country. While these are important, there are other aspects of harnessing and social media, including customer communities and encouraging user-generated content (UGC) such as company and product reviews and ratings.

Social media marketing is based on how we can use consumer-to-consumer (C2C) interactions to increase awareness of our brand through **social media amplification** while minimising negative mentions. To apply this effectively for communications, we have to recognise that social media involves participation

in discussions and sharing of ideas and content, which is often facilitated by social networks but can occur in other locations.

Social media amplification

A method of increasing awareness of a brand through organic and paid sharing of social media updates via social networks as organic social posts and adverts are displayed in the stream of social network users.

We think the CIPR Social Media Panel (CIPR, 2011) describes social media well:

Social media is the term commonly given to Internet and mobile-based channels and tools that allow users to interact with each other and share opinions and content. As the name implies, social media involves the building of communities or networks and encouraging participation and engagement.

This definition shows that the most important feature of these social media channels is that they encourage prospects and customers to interact and create UGC.

To simplify: social media are digital media that encourage audience participation, interaction and sharing. To review the power of social media, complete this activity, which considers the range of social media interactions.

Activity 6.1: Which social interactions occur outside the social network

Identify, through discussion with other students, which types of social interaction occur online beyond the main social networks. Consider different types of media sites, platforms such as desktop and mobile usage and different formats of discussion, commenting and rating. Also consider how these may be integrated with social sharing on the main social networks. For each type of social interaction, assess the extent to which companies need to and can control them.

What is social CRM?

Given the potential of social media for customer communications, it's natural that a new marketing term, **social CRM**, developed to describe social media

integration with CRM. The scope of CRM and social CRM crosses many business processes, as suggested by [Figure 6.1](#). Although social CRM is not a term often-used any longer in business, this diagram from the advent of social CRM is still useful for showing different marketing applications of social media.

Social CRM

The process of managing customer-to-customer conversations to engage existing customers, prospects and other stakeholders with a brand and so enhance customer relationship management.

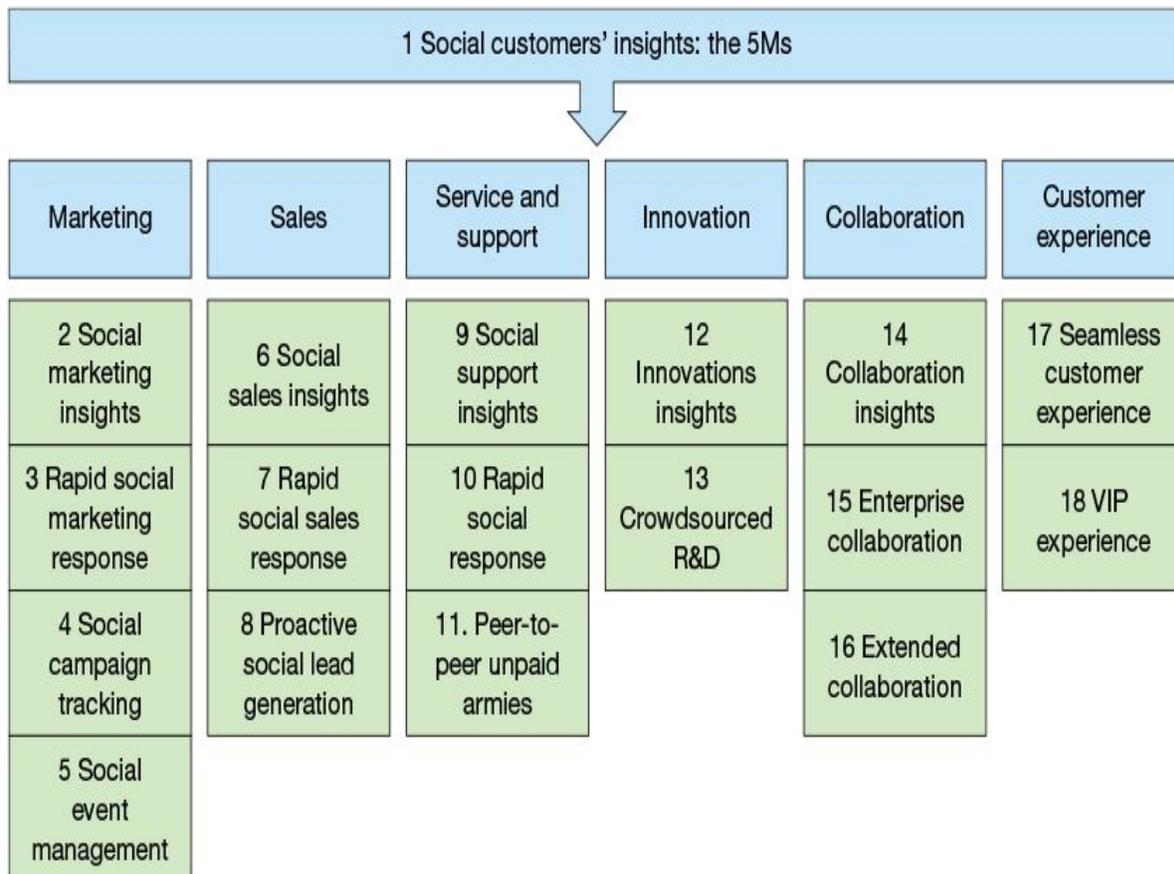
This framework shows the value of social media in collecting customer insights across different business function. The scope of each area shown in [Figure 6.1](#) is:

1. **Marketing.** Monitoring, analysis and response of customer conversations through social listening tools.
2. **Sales.** Understanding where prospects are discussing selection of products and services offered by you and competitors and determining the best way to get involved in the conversation to influence sales and generate leads. Within B2B, LinkedIn is an obvious location that should be monitored and used proactively to generate leads and sales, a technique known as **social selling**.
3. **Service and support.** Customer self-help through forums provided by you and neutral sites.
4. **Innovation.** Using conversations to foster new product development or enhance online offerings is one of the most exciting forms of social CRM.
5. **Collaboration.** This is e-business collaboration within an organisation through an intranet and other software tools to encourage all forms of collaboration that support business process.
6. **Customer experience.** This references the use of social CRM to enhance the customer experience and add value to a brand, which is implied by many of the other aspects above. It gives the examples of using VIP programmes offering collaboration between customers with shared characteristics to add value and create advocacy.

Social selling

A proactive approach to using social media to generate leads and sales, particularly applied to B2B marketing in LinkedIn, where it's possible to identify prospects and connect with them.

Figure 6.1 Applications of social media across different business functions



Source: Altimeter (2010)

Note that the deep integration between social networks and CRM systems promised by social CRM when the social networks were growing rapidly in popularity has not been delivered in practice due to a combination of privacy concerns and social networks wanting to retain control, requiring advertising expenditure for marketers to communicate to their subscribers. As Inside CRM (2017) explain:

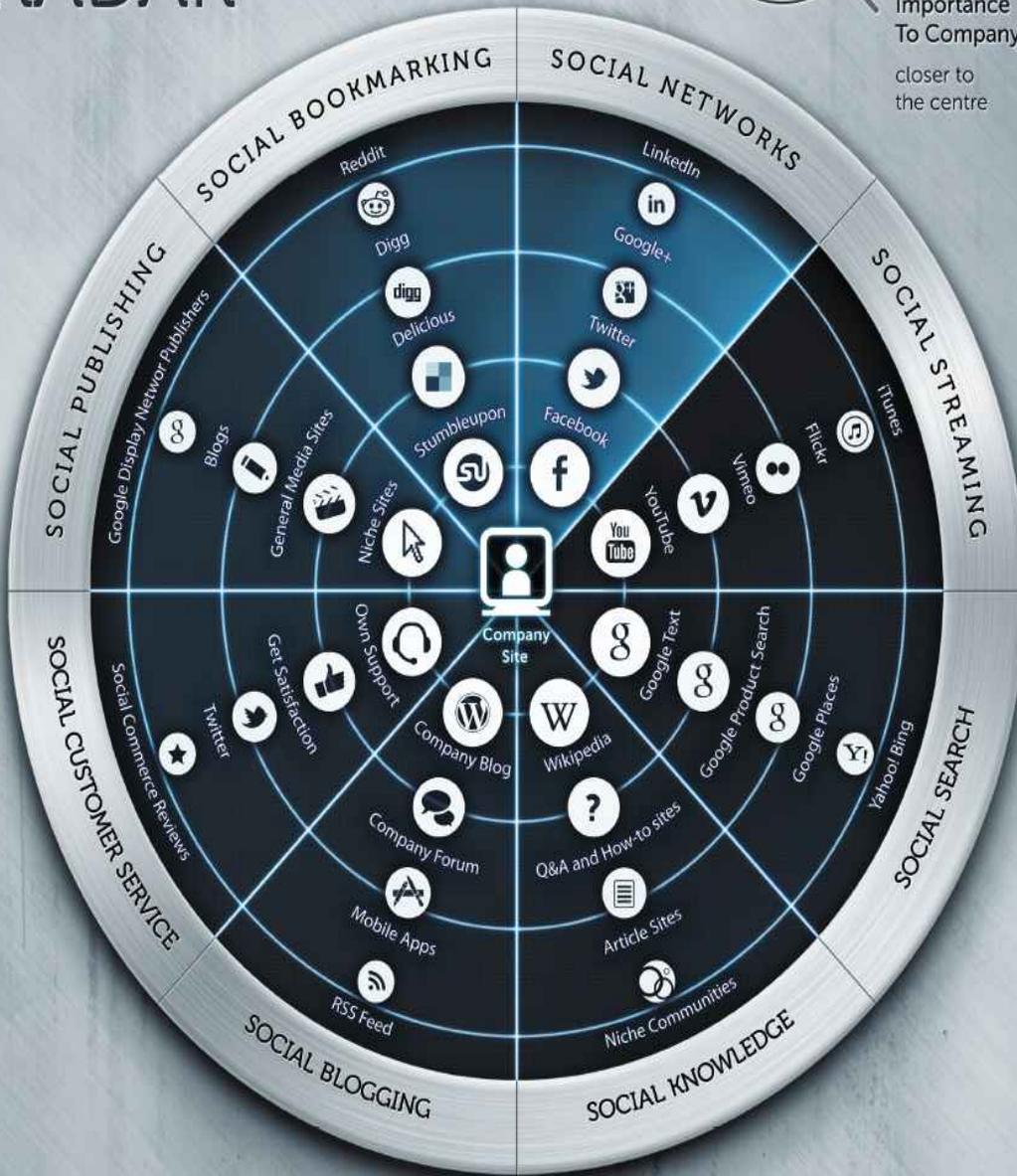
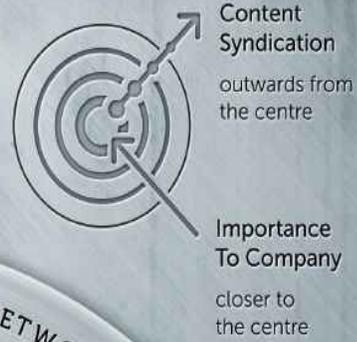
Dominant social platforms largely boxed out social CRM by changing APIs and limiting access. Facebook shut its door and broke many CRM integrations, and LinkedIn got choosy. The promise of social CRM as a way to automatically collect contact data and communicate on social platforms from within the CRM died a quick death.

What are the main social media platforms?

In practice, social media sites are among the most popular sites on the Internet, along with search engines. Smart Insights (2015) created a ‘social media marketing radar’ (see [Figure 6.2](#)) that summarises the options to help you discuss with colleagues or agencies which sites warrant or deserve most attention in the different categories. A similar categorisation of social media sites has been created by Weinberg (2010). Sites or services that are agreed to be more important, which warrant more resource, should be positioned towards the centre.

Figure 6.2 The social media marketing radar

SOCIAL MEDIA MARKETING RADAR



Source: Smart Insights (2015)

These are the main types of social platforms available to you:

1. **Social networks.** In most countries, the core social platforms where people interact through social networks are Facebook, Instagram and Snapchat for consumer audiences, LinkedIn for business audiences and Twitter for both.
2. **Social publishing and news.** Nearly all newspapers and magazines, whether broad or niche, now have an online presence with the option to participate through comments on articles, blogs or communities.
3. **Social commenting in blogs.** A company blog can form the hub of your social media strategy and you can look at tapping into others' blogs, whether company or personal or through blog outreach.
4. **Social niche communities.** These are communities and forums independent of the main networks.
5. **Social customer service.** Services such as Get Satisfaction™ (www.getsatisfaction.com), as well as companies' own customer-support forums, are increasingly important for responding to customer complaints, particularly in some sectors such as mobile phone and network providers.
6. **Social knowledge.** These are reference social networks such as Yahoo! Answers, Quora™ and Wikipedia. They show how any business can engage its audience by solving their problems and subtly showing how products have helped others.
7. **Social bookmarking.** Bookmarking sites such as Delicious™ (www.del.icio.us.com) are today relatively unimportant.
8. **Social streaming.** Rich and streaming media sites including photos (e.g. Pinterest), video and podcasting.
9. **Social search.** When Google+ was launched search engines incorporated more social features such as voting for sites via a Google+1. With the wane in popularity of Google+ in recent years, these features are seen less commonly today.
10. **Social commerce.** Mainly relevant for the retail and travel sectors, social commerce involves reviews and ratings on products and sharing of coupons on deals.

We haven't identified mobile platforms or apps separately since all social networks are available through smartphone apps – indeed, social media statistics show that these apps account for the majority of consumer usage. Around 90 per cent of mobile media time is spent in apps according to Smart Insights (2017).

Social media activities requiring management

A social media strategy will define how social media can support marketing goals. We recommend these six activities are reviewed to define goals and strategies for how social media can support each:

1. Listen and manage reputation;
2. Transform the brand through social media;
3. Acquire new customers;
4. Increase sales to existing customers;
5. Deliver customer service.

All activities should run on a continuous and campaign basis. To support them, they require both a content and a communications strategy, which we cover in later sections of this chapter.

Activity 1. Define listening and reputation strategy

To develop a social media listening approach, you need to understand social media usage for each of:

- **your audience:** who they are, how they participate, what they're saying and sharing;
- **your activity:** through official social media channels and interactions through your site, but also through employee mentions;
- **your competitors:** for direct and indirect competitors, you need to review how their activities compare to yours;
- **online publishers and other key intermediaries:** these are a form of indirect competitor and are also important as influencers.

Social media services such as the market leader [Hootsuite.com](https://www.hootsuite.com)TM can be set up to monitor sharing, brand mentions and competitor activity.

But listening is just listening, so at the same time you need to develop a social media governance approach on how to follow up for positive or negative mentions.

Activity 2. Transform the brand through social media.

To fully exploit social media across the functions shown in [Figure 6.2](#) will require companies to make large changes to their brand, company structure and how everyone in the company communicates.

Some key areas for delivering this transformation are:

- **Set scope for social media activities.** Understand the intersection of social media and your business activities. It's not just about your Facebook, Instagram, Twitter or LinkedIn presence, it cuts across all customer marketing activities.
- **Review social media capabilities and priorities.** Social media marketing isn't new for most companies, they will already be using social media. But they won't be using it to the max. Benchmarking where you are now against where you want to be in the future is the key to future success.
- **Governance: define who is responsible for social media.** We've seen that exploiting social media requires the involvement of many people in larger companies. So you need to decide who does what and how different groups work together.
- **Reviewing the personality of your brand and setting a vision.** Social media and content marketing give many opportunities to make your brand more engaging, which have to be thought through. The whole personality of your brand may have to be revisited too.

Activity 3. Acquire new customers using social media

For most marketers, the ultimate appeal of social media marketing is to use it to increase sales through reaching new prospects and converting them to customers. In reality, for most businesses, social media marketing may be most important in serving existing customers or providing service, but you will set priorities according to what you think is important.

Activity 4. Increase sales to existing customers

Applying social media to increase sales to existing customers focuses on developing your customer communications strategy to encourage more social interactions on your site, leading to more social shares to gain the amplification effect.

Activity 5. Enhance customer service through social media marketing

Improving customer service or 'social customer care' through social media is not a major focus of this chapter since we focus on communications that directly increase sales through reaching or converting more of an audience.

However, to find out more about how customer service can be delivered through social media, we recommend reading the advice of consultant Guy Stephens of Foviance (Smart Insights, 2010). He talks about how specific customer-service activities should be managed, including:

- social listening to identify customers requiring service;
- outreach to answer customer questions or resolve problems;
- using service to improve product and service offerings;
- management of a company's own service forums or other service platforms such as Get Satisfaction.

Guy has a vision for 'anytime, anywhere' customer service in the context of customer need, as shown by this quote by John Bernier of Best Buy about their 'Twelpforce' Twitter service (John Bernier, cited in Smart Insights, 2010):

For us to enable customers to answer questions that come from anywhere so that the customer doesn't have to find us, we find them. We don't want someone to have to leave Facebook to ask a question, we want them to ask it there.

The challenge of customer engagement

As we explained towards the end of [Chapter 1](#), Forrester (2007) heralded **customer engagement** as 'marketing's new key metric', given the rapidly increasing online **media fragmentation** and the challenges of keeping customers engaged with brands given the proliferation of choice. Customer engagement is sometimes used to refer to engaging customers in the short term, on a single touchpoint, such as whether someone dwells on the site for a significant time or whether they interact with an email. Instead, customer engagement really refers to the long-term ability of a brand to gain a customer's attention on an ongoing basis.

Customer engagement

Repeated interactions through the customer lifecycle prompted by online and offline communications aimed at strengthening the long-term emotional, psychological and physical investment a customer has with a brand.

Media fragmentation

Describes a trend towards increasing choice and consumption of a range of media in terms of different channels such as web and mobile and also within channels – for example, more TV channels, radio stations, magazines, more websites. Media fragmentation implies increased difficulty in reaching target audiences.

The commercial aim of engagement is to maximise customer value through using customer interactions to lead to more profitable relationships.

An example of the challenge and the need for reminder messages for consumers to engage is provided by mobile messaging service Urban Airship™ (2017), which researched the impact of push notifications on new mobile app users. They found that within 90 days of first opening the app, 95 per cent of opt-in users in the study who didn't receive any push notifications churned – that is, they deleted or stopped using the app. In contrast, app users who received push notifications in the 90 days after their first opening of the app had nearly three times (190 per cent) higher retention rates than those who did not.

Figure 6.3 shows the wide range of options to interact with customers today via different messaging platforms using marketing automation. The innermost circle shows interactions possible through mobile messaging platform Urban Airship, the outer circle interactions on other platforms. Orchestration of many of these engagement communications requires planning to exploit them. Simply having technology is insufficient, engagement messages need to be designed, created and optimised.

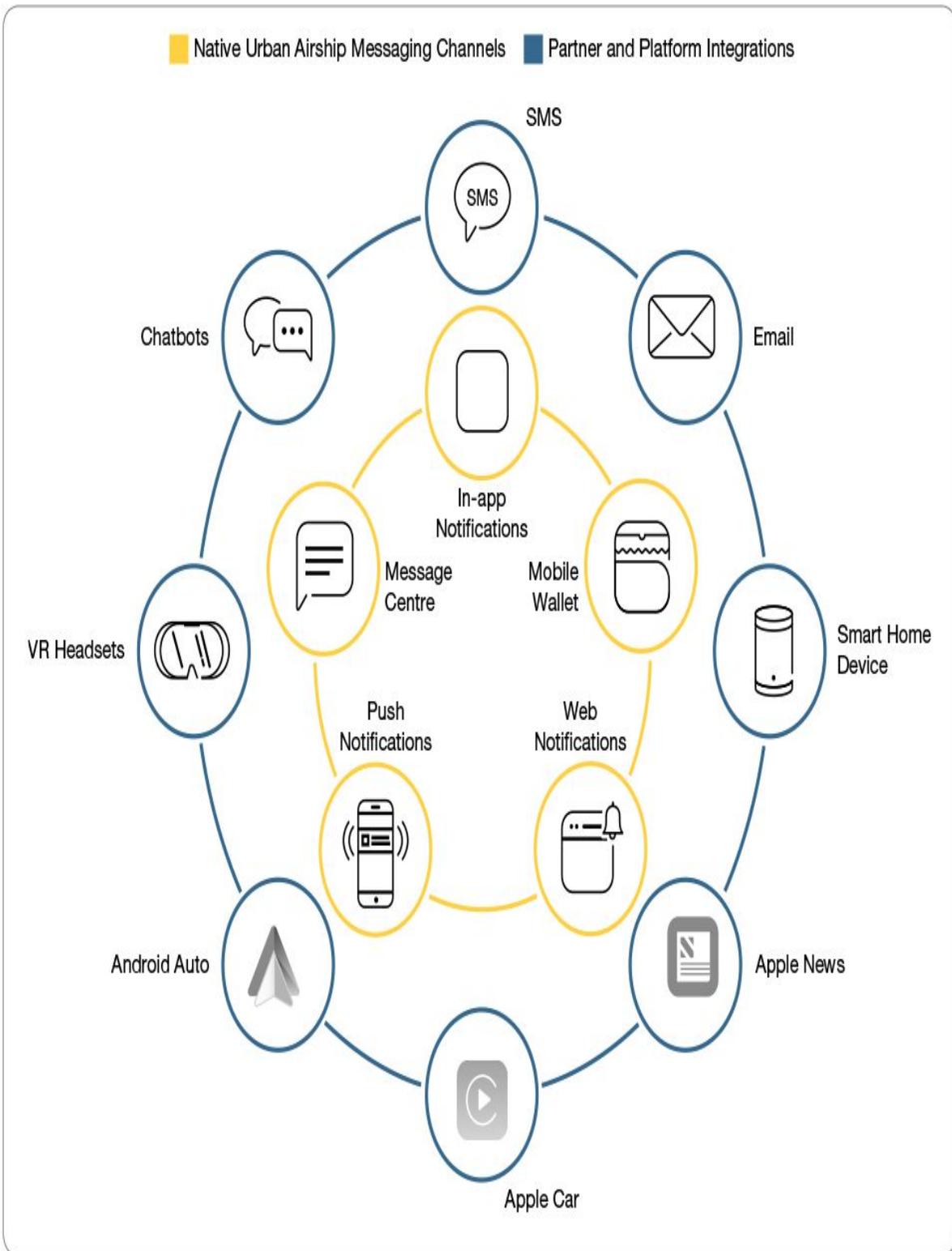
Forrester (2007) developed a framework to measure online engagement through the customer lifecycle and also away from a brand's own site, such as on publisher sites or social networks.

According to Forrester, engagement has four parts, which can be measured both online and offline:

- **Involvement.** Forrester says that online this includes website visits, time spent, pages viewed.
- **Interaction.** This is contributed comments to blogs, quantity/frequency of written reviews and online comments as well as comments expressed in customer service. (We could add the recency, frequency and category of product purchases, and also ongoing engagement in email marketing programmes, as discussed later in this chapter; all are important here.)
- **Intimacy.** This is sentiment tracking on third-party sites including blogs and reviews, as well as opinions expressed in customer service calls.

- **Influence.** This is advocacy indicated by measures such as likelihood to recommend, brand affinity and content forwarded to friends.

Figure 6.3 Different consumer messaging options (Urban Airship, 2017)



Benefits of using CRM to support customer engagement

Using digital platforms for relationship marketing involves integrating the customer database with websites and messaging to make the relationship targeted and personalised. Through doing this, marketing can be improved by:

- **Targeting more cost-effectively.** Traditional targeting, for direct mail for instance, is often based on mailing lists compiled according to criteria that mean that not everyone contacted is in the target market. For example, a company wishing to acquire new affluent consumers may use postcodes to target areas with appropriate demographics, but within the postal district the population may be heterogeneous. The result of poor targeting will be low response rates, perhaps less than 1 per cent.
- **Permission marketing.** Also known as **inbound marketing**, this has the benefit that the list of contacts is *self-selecting* or pre-qualified. A company will only aim to build relationships with those who have visited a website and expressed an interest in its products by registering their name and address.
- **Mass customisation of the marketing messages** (and possibly the product). This tailoring process is described in a subsequent section. Technology makes it possible to send tailored emails at much lower cost than is possible with direct mail and also to provide tailored web pages to smaller groups of customers (microsegments).
- **Increased depth and breadth of information** (and improved nature of relationship). Digital media enables more information to be supplied to customers as required through content marketing. For example, special pages such as Dell's Premier can be set up to provide customer groups with specific information. The nature of the relationship can be changed, in that contact with a customer can be made more frequently. The frequency of contact with the customer can be determined by the customers – whenever they have the need to visit their personalised pages – or they can be contacted by email by the company.
- **Deeper customer understanding and more relevant communications can be delivered through a sense-and-respond approach.** Examples of **sense-and-respond communications** include: tools that summarise products purchased on-site and the searching behaviour that occurred before these products were bought; online feedback forms about the site or products, completed when a customer requests free information; questions asked through forms or emails to the online customer service facilities; online questionnaires asking about product category interests and opinions

on competitors; new product development evaluation – commenting on prototypes of new products.

- **Lower cost.** Contacting customers by email or through their viewing web pages costs less than using physical mail, but, perhaps more importantly, information needs to be sent only to those customers who have expressed a preference for it, resulting in fewer mail-outs. Once personalisation technology has been purchased, much of the targeting and communications can be implemented automatically.
- **Delivering loyalty programmes.** Loyalty schemes are often used to encourage customer extension and retention. You will be familiar with schemes run by retailers such as the Tesco Clubcard or Nectar schemes, or those of airlines and hotel chains. Such schemes are often used for e-CRM purposes, as follows:
 1. initial bonus points for sign-up to online services or initial registration;
 2. points for customer development or extension – more points awarded to encourage second or third online purchase;
 3. additional points to encourage reactivation of online services.

Inbound marketing

The customer is proactive in actively seeking out a solution and interactions with brands are attracted through content, search and social media marketing.

Sense-and-respond communications

Delivering timely, relevant communications to customers as part of a contact strategy based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's website, emails and staff.

Popular products are offered for a relatively low number of points to encourage repeat purchases.

- **Opportunities for gamification.** **Gamification** involves applying game-based thinking to a brand, business or organisation to engage and develop loyalty. Research shows that game play itself stimulates the human brain (releasing dopamine) and the now-proven mechanics from gaming can be brought into marketing, and especially mobile marketing. Some key features of gamification applied to digital marketing are:
 - creative concept to engage;

- game mechanics to encourage play (badges, points, leader boards levels, interactions);
- game dynamics can be altered to reward and even penalise;
- game currencies to provide the motivation – this can be financial, status, need for doing good, pleasure and influence.

Gamification

The process of applying game thinking and mechanics to engage an audience by rewarding them for achievements and sharing.

Mini case study 6.1 shows how one brand is using gamification to reach and engage smartphone users.

Mini case study 6.1: Nestlé uses gamification to engage smartphone users

Brands such as Nestlé™ have, for many years, successfully used TV and traditional media. But with consumer behaviour changing, reaching people who don't watch linear TV poses a challenge.

This example shown in the video (Figure 6.4, <https://www.youtube.com/watch?v=IDdfs8NC3yc>) explains how gamification can be used as a new technique by brand advertisers looking to engage users on their smartphones when commuting or relaxing. Steve Pollack, Head of Media Communications, Nestlé UK explains the benefits that a brand advertiser sees from its new platform:

The great beauty of running an ad in a video in a game is that we can offer something to the gamer and they hopefully will then view the ad. We give them a good value exchange: they see our ad, we give them a power up or an extra life.

In this gamification campaign, Nestlé worked with King Games who have a network of over 200 games-related sites, plus Google's Doubleclick ad network.

All advertising that runs on King Games is user-initiated. This means that the player gets to choose and engage in advertising for a value exchange, such as a reward – an extra life, currency or booster, for instance.

Figure 6.4 King Games – Nestlé example



DoubleClick Customer Stories: King

2,142 views

👍 12 💬 1 ➦ SHARE ☰ ⋮

Source: Doubleclick (2017)

King Games believe that giving the user the choice of whether to engage with an ad or not and when to do so creates a more positive experience overall and improves results for advertisers. ‘We’re finding that the players that actually consume advertising in that form are playing the games longer and having more fun’, says Ben Fox, VP of Business Development of King Advertising.

For this Nestlé campaign, the results from advertising in King Games have included a 3 per cent click-through rate on Android and 99.5 per cent view-through rate (meaning that a very high proportion who participate eventually visit the Nestlé site).

Marketing applications of CRM

CRM systems support the following marketing applications:

1. **Sales force automation (SFA).** Sales representatives are supported in their account management through tools to arrange and record customer visits.
2. **Customer service management.** Representatives in contact centres respond to customer requests for information by using an intranet to access databases containing information on the customer, products and previous queries. It is more efficient and may increase customer convenience if customers are given the option of **web self-service**, i.e. accessing support data through a web interface.
3. **Managing the sales process.** This can be achieved through e-commerce sites, or in a B2B context by supporting sales representatives by recording the sales process (SFA).
4. **Customer communications management.** Managing communications integrated across different channels including direct mail, email, mobile messaging, personalised web messages and social networks.
5. **Analysis.** Through technologies such as data warehouses and approaches such as data mining, which are explained further later in the chapter, customers' characteristics, their purchase behaviour and campaigns can be analysed in order to optimise the marketing mix.

Web self-service

Customers perform information requests and transactions through a web interface rather than by contact with customer support staff.

CRM technologies and data management

Database technology is at the heart of delivering these CRM applications. Often the database is accessible through an intranet website by employees or an extranet by customers or partners, providing an interface onto the entire customer relationship management system. Email is used to manage many of the inbound, outbound and internal communications managed by the CRM system. A workflow system is often used for automating CRM processes. For example, a workflow system can remind sales representatives about customer contacts or can be used to manage service delivery, such as the many stages of arranging a mortgage. The three main types of customer data held as tables in customer databases for CRM are typically:

1. **Personal and profile data.** These include contact details and characteristics for profiling customers, such as age and gender (B2C), and business size, industry sector and the individual's role in the buying decision (B2B).
2. **Transaction data.** A record of each purchase transaction including specific product purchased, quantities, category, location, date and time and channel where purchased.
3. **Communications interactions data.** A record of which customers have been targeted by campaigns and their response to them (outbound communications). Also includes a record of inbound visits to a website, customer service and support enquiries and sales representative interactions.

The behavioural data available through 2 and 3 are very important for targeting customers to more closely meet their needs. Initially, simple automation approaches to send a series of customer-nurturing emails, for example, were used. Today, analysis of complex data sets and applying Artificial Intelligence enables us to deliver far more relevant one-to-one communications.

Using 'Big Data' and Artificial Intelligence to support data-driven marketing

'Big Data' is a high-level term used to describe analysis techniques and systems that exploit the large volumes of data that are now captured by businesses. Marketing applications of Big Data exploit the different types of data now collected when businesses interact with their audiences. The two main benefits of Big Data for marketing are:

- identifying insights such as trends and patterns through analysis of large, complex interrelated data sets, which can inform future strategies and tactics;
- identifying success factors to make communications more relevant by improving messaging – for example, by selecting the best timing, copy or offers.

An example of the insights that are available from Big Data that can be applied is provided by the US retailer Target™. Using data about women's shopping habits, Target was able to identify that a woman buying large quantities of unscented lotion, cotton balls, supplements and washcloths might mean that she's anywhere from a few weeks pregnant, to very close to her due date. Of

course, such approaches have their risks. In one case, a teenager received direct mail from Target promoting ‘cribs and bibs’ — before she had even told her father about the pregnancy.

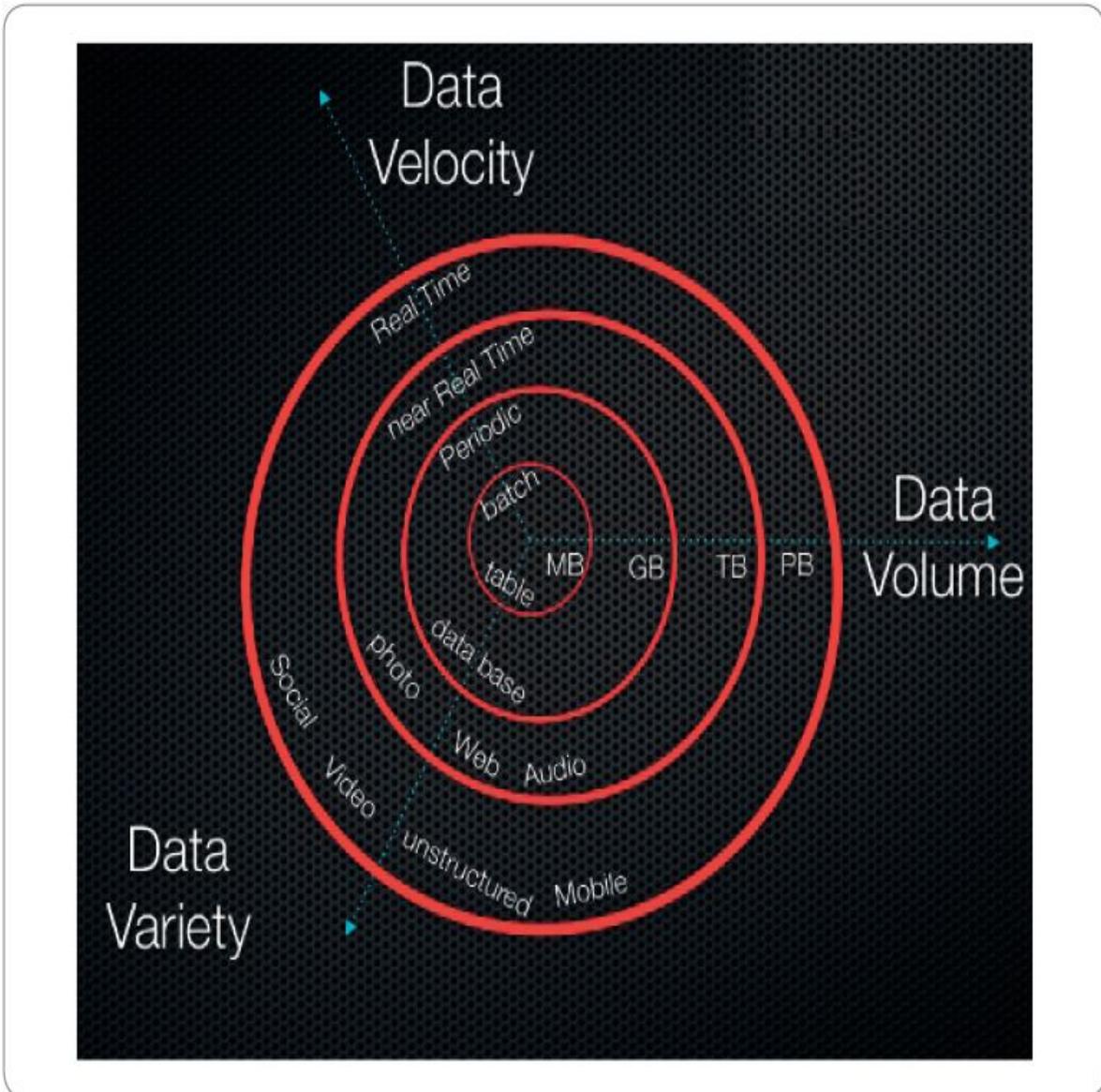
The opportunity and challenge of **Big Data for marketing** is often described from a technical point-of-view using the three dimensions, or vectors, shown in [Figure 6.5](#):

- **Data Volume** refers to the increase in data that is now available for online interactions with websites and social media.
- **Data Velocity** shows how marketers now have access to real-time data, such as real-time analytics of interactions on web and mobile sites and also social media interactions.
- **Data Variety** shows how new types of unstructured data, including, again, social media interactions, offer potential too. This also suggests the potential of integrating different sources of data to gain more customer insight.

‘Big Data’ for marketing

‘Big Data’ refers to applications to gain value from the increasing Volume, Velocity and Variety of data integrated from different sources. These enhance insight to deliver more relevant communications through techniques such as marketing automation and social CRM.

Figure 6.5 A summary of the three main dimensions of Big Data



Source: Soubra (2012)

The key question for marketers given access to the potential new types of data is: how do we harness it? Through integrating new types of data from different systems and sources there is clearly the option to mine new data about how businesses interact with customers to encourage purchase. Ultimately, the main application of Big Data in marketing is used to increase the relevance of communications using the marketing automation techniques discussed earlier in the chapter. Techniques such as predictive modelling are used to send more relevant, contextual emails or web personalised banners to customers in order to generate response.

Some have argued that ‘Big Data’ is a classic example of ‘The Emperor’s New Clothes’ fable – i.e. it is a term created by systems vendors and consultants to generate demand for services that have been previously available under another label. Others note that many marketers are not exploiting the ‘Small Data’ available through campaign reporting and digital analytics, discussed in Chapters 8 and 10. Since initial launch of the Big Data concept, new **Artificial Intelligence** and **machine learning** technologies have developed to help marketers analyse and apply the insights.

Artificial Intelligence

Software and services that perform tasks previously requiring human analysis and interaction. Marketing applications of AI typically aim to improve business-to-customer communications including targeting media, personalised messaging and customer service interactions.

Machine learning

Creating and applying predictive models and algorithms with the ability to learn without being explicitly programmed. The computer models then make predictions of success based on patterns extracted from historical data. These are used to define rules, which are implemented to automate tasks such as targeting media or emails to the most valuable segments with the most relevant creative offer and timing.

Artificial Intelligence for marketing

The visual in [Figure 6.6](#) defines the many opportunities of applying Artificial Intelligence in marketing, structured around the Smart Insights RACE customer lifecycle we introduced in [Chapter 1](#).

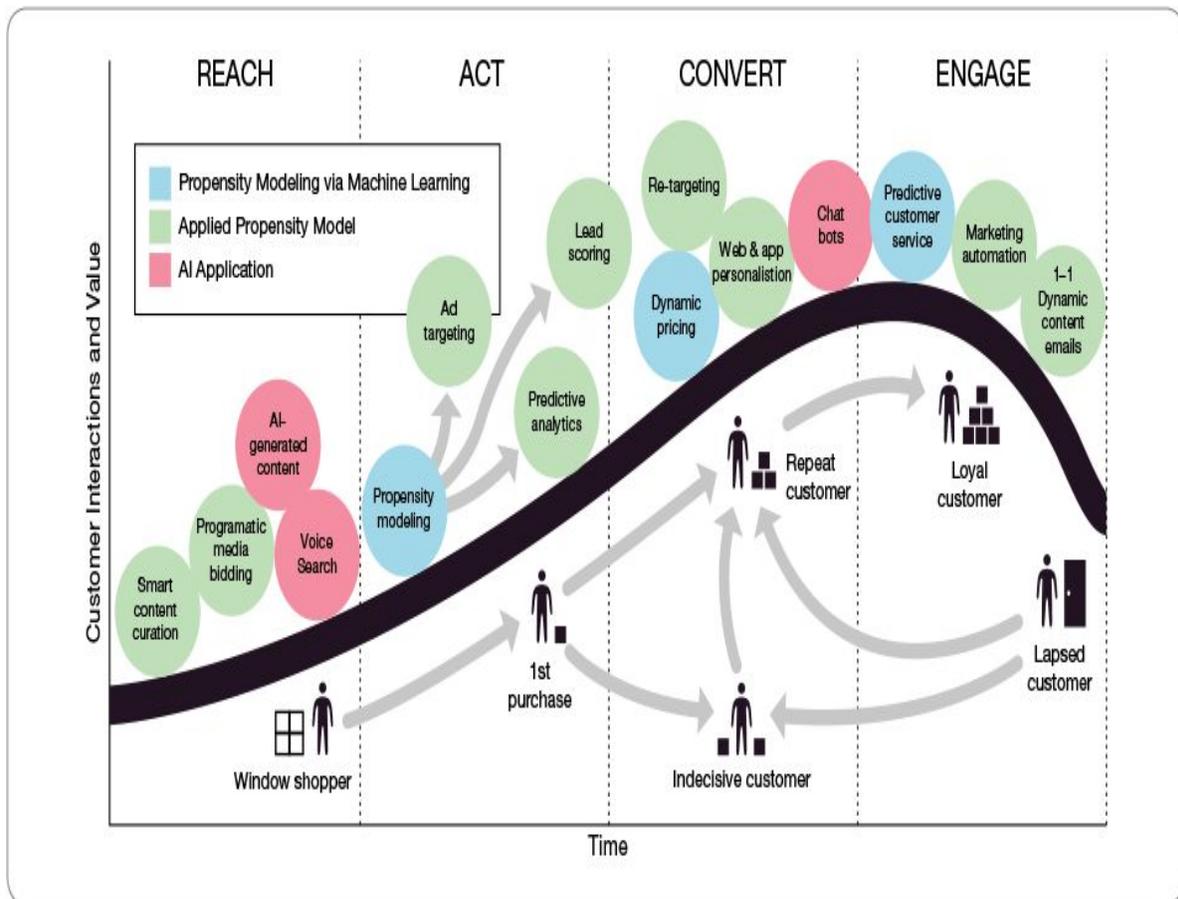
1 AI-generated content

For some types of content, AI content Natural Language Generating (NLG)’, writing programs are able to pick elements from a dataset and structure a ‘human sounding’ article. An AI writing program called ‘WordSmith’ from Automated Insights has been applied in several sectors:

- Associated Press produces nearly 4,000 company earnings articles quarterly – a 12-fold increase over its manual efforts.
- Processor vendor NVIDIA uses NLG and Tableau’s visual analytics to optimise internal reporting.

- Vivint Smart Home generates thousands of localised webpages, boosting SEO efforts and generating a 5X increase in sales.
- GreatCall delivers over 50,000 personalised narratives a week using natural language generation.
- **Bodybuilding.com** generates over 100,000 workout recaps every week to help users reach their fitness goals.

Figure 6.6 Marketing applications of Artificial Intelligence through the customer lifecycle



Another marketing-based AI application that can be used by email marketers is Phrasee. This uses AI technology to generate and optimise effective subject lines for emails. By using vast amounts of data on the effectiveness of email subject lines, it is able to get better results in terms of opens and clicks than human copywriters.

2 Smart content curation

AI-powered content curation allows you to better engage visitors on your site by showing them content relevant to them. This technique is most commonly found in the ‘customers who bought X also bought Y’ section on many sites, but can also be applied to blog content and personalising site messaging and services more widely. Think of Netflix’s recommendation system being able to consistently recommend you shows you’d be interested in.

3 Voice search and conversational user interfaces

Voice search appliances or personal assistants have been developed by major online platforms such as Facebook, Google, Amazon and Apple after the initial launch by Amazon of its Alexa home appliance. The implication for marketers is that as search queries become more conversational, they need to ensure they are answering the questions posed by searches in natural language.

4 Programmatic media bidding

Programmatic media buying can use propensity models generated by machine learning algorithms to more effectively target ads at the most relevant customers.

5 Propensity modeling

Propensity modeling is the goal of a machine learning project. The machine learning algorithm is supplied with large amounts of historical data, and it uses this data to create a propensity model which (in theory) is able to make accurate predictions about the real world. An example is shown in [Mini case study 6.2](#): Taking the guesswork out of CRM.

6 Predictive analytics

Propensity modeling can be applied to a number of different areas, such as predicting the likelihood of a given customer to convert, predicting what price a customer is likely to convert at, or which customers are most likely to make repeat purchases. This application is called predictive analytics because it uses analytics data to make predictions about how customers behave. The key thing to remember is that a propensity model is only as good as the data provided to create it, so if there are errors in the data or a high level of randomness, it will be unable to make accurate predictions.

7 Lead scoring

Propensity models generated by machine learning can be trained to score leads based on certain criteria so that your sales team can establish how ‘hot’ a given

lead is, and if it is worth devoting time to. This can be particularly important in B2B businesses with consultative sales processes, where each sale takes a considerable amount of time on the part of the sales team. By contacting the most relevant leads, the sales team can save time and concentrate their energy where it is most effective. The insights into lead's propensity to buy can also be used to target sales and discounts where they are most effective.

8 Ad targeting

Machine learning algorithms can run through vast amounts of historical data to establish which ads perform best on which people and at what stage in the buying process. Using this data companies can serve them with the most effective content at the right time. By using machine learning to constantly optimise thousands of variables you can achieve more effective ad placement and content than by using traditional methods.

9 Dynamic pricing

All marketers know that sales are effective at shifting more product. Discounts are extremely powerful, but they can also hurt your bottom line. If you make twice as many sales with a two-thirds smaller margin, you've made less profit than you would have if you didn't have a sale.

10 Web and app personalisation

Using a propensity model to predict a customer's stage in the buyer's journey can let you serve that customer, either on an app or on a web page, with the most relevant content. If someone is still new to a site, content that informs them and keeps them interested will be most effective, while if they have visited many times and are clearly interested in the product then more in-depth content about a product's benefits will perform better. We explore this further in [Chapter 7](#).

11 Chatbots

Chatbots mimic human intelligence by being able to interpret consumer's queries and complete orders for them. You might think chatbots are extremely difficult to develop and only huge brands with massive budgets will be able to develop them. But actually, using open chatbot development platforms, it's relatively easy to create your own chatbot without a big team of developers.

Facebook is facilitating the development of chatbots for brands via its Messenger application, which is another form of conversational UI. For

example, Pizza Express™ has launched a new chatbot on Facebook Messenger that allows users to book in their restaurants.

12 Re-targeting

Much as with ad targeting, machine learning can be used to establish what content is most likely to bring customers back to the site based on historical data. By building an accurate prediction model of what content works best to win back different types of customers, machine learning can be used to optimise your re-targeting ads to make them as effective as possible.

13 Predictive customer service

Inbound enquiries of all types can be routed to the relevant support article or customer support person via a series of questions. This rules-based customer service has been used for voice calls. AI enables more natural language questions to be asked, which again helps to route to the most relevant article or person. Bentoweb, Nanorep and Liveworld are examples of services for this application.

Predictive analytics can be used to work out which customers are most likely to unsubscribe from a service, by assessing what features are most common in customers who do unsubscribe. It's then possible to reach out to these customers with offers, prompts or assistance to prevent them from churning.

Predictive analytics

Using data mining and statistical modelling to predict future outcomes, for example by scoring customer propensity to respond to a specific offer.

14 Marketing automation and 15 1-1 dynamic content emails

Marketing automation techniques generally involve a series of rules, which trigger interactions with the customer via messaging on email, smartphone notifications or web personalisation. Marketing automation adoption has been limited by the time needed to set up and optimise these rules. Machine learning can analyse customer interaction data and establish when are the most effective times to make contact, what words in subject lines are most effective and much more.

Mini case study 6.2: Taking the guesswork out of CRM – how Guess™ uses predictive analytics

In an interview with Guess Director of Marketing – CRM, Victoria Graham (Custora, 2014) describes different opportunities for the brand in the way the company uses **predictive analytics**. The first opportunity is combining multiple customer and transaction data sources. Graham explains:

All of our analysis was based on past purchases behaviour. We're not data scientists, we don't have PhDs in our office, so any predictive analysis – like who might buy in the future, and what a customer might buy in the future – was not something that we were able to capture.

Guess applied predictive analytics by first identifying and understanding its customers across two dimensions: purchase-based customer personas, and high-value customers. These insights were then applied to predict future purchase response to acquisition and retention campaigns. This has prompted a change in the Guess email strategy. Three years ago they were emailing customers three, possibly four times a week. Graham says:

We were very much 'batch and blast', and our email calendar was driven by our merchant team: if there's a product launch, or a big promotion, like 40% off all sweaters, that was driving the email calendar. We're now in the process of changing that.

We've been cognisant of the fact that it is quite likely that we were irritating our customers with constantly talking to them. We had two options when we talked about getting personalised with our emails: one option was to cut back on emails. If today's email is about denim, and you like accessories, you just don't get today's email. But the thought of cutting down the number of emails we send out was scary. The other option was, if we're going to email everyone every day, let's talk to them in a way that's meaningful and relevant to them.

In a test, they isolated the accessories persona and the non-accessories persona. They compared the accessories customers who received the accessories-focused email (group A) to accessories customers who received the regular email (group B). The CTR and conversion rate of group A far exceeded those of group B.

Another analytical approach was identifying high-value customers to optimise acquisition. This dispelled a lot of assumptions according to Graham, such as assuming that top customers were metropolitan customers, who liked core products like denim, but also loved accessories. This wasn't necessarily the case, as Graham explains:

When we looked at where our customers really over-index and differentiate themselves from the rest of our customer database, they found that they were more likely to live in suburban areas. Arizona popped as a big state for high lifetime-value customers. Their first purchase tended to be a knit or a sweater or denim.

Note that techniques do not necessarily require an expensive recommendations engine, except for very large sites.

Customer lifecycle management strategy

In this section we will review classic methods of orchestrating communications based on the position of customers in the lifecycle and the use of ‘sense and respond’ communications to build customer loyalty at each stage of the **customer lifecycle**. These can be used by businesses of any size, whereas some of the more advanced Big Data and Artificial Intelligence approaches tend to be used by larger businesses currently.

Customer lifecycle

The stages each customer will pass through in a long-term relationship through acquisition, retention and extension.

To plan these communications requires consideration of the business goals of engagement using a high-level view of the classic customer lifecycle of select, acquire, retain, extend as shown in [Figure 6.7](#).

1. **Customer selection** means defining the types of customers that a company will market to. It means identifying different groups of customers for which to develop offerings and to target during acquisition, retention and extension. Different ways of segmenting customers by value and by their detailed lifecycle with the company are reviewed.
2. **Customer acquisition** refers to marketing activities to form relationships with new customers while minimising acquisition costs and targeting high-value customers. Service quality and selecting the right channels for different customers are important at this stage and throughout the lifecycle. For an online business, acquisition may involve a single-step conversion – for example, if a new visitor arrives on a site and purchases on the first visit. Typically, a longer, multi-step process is needed for conversion to sale where a visitor returns to the site. To facilitate conversion, customer lifecycle marketing should seek to form an initial relationship through asking for contact details for communication, such as email address, mobile number or a social media contact. This is the permission marketing approach, which we explain in the next section. For online SaaS startups, there is an additional step of **activation**, which means that a person registered with an online brand takes further action(s), such as trying the service.

3. **Customer retention** refers to the marketing activities taken by an organisation to keep its existing customers, i.e. to encourage them to buy again or continue a contract that renews for a service. Identifying relevant offerings based on their individual needs and detailed position in the customer lifecycle (e.g. number and value of purchases) is key.
4. **Customer extension** refers to increasing the depth or range of products that a customer purchases from a company. This is often referred to as ‘customer development’.

Customer selection

Identifying key customer segments and targeting them for relationship building.

Customer acquisition

Strategies and techniques used to gain new customers.

Activation

A prospect or customer takes the first step in actively using an online service after initial registration or purchase.

Customer retention

Techniques to maintain relationships with existing customers.

Customer extension

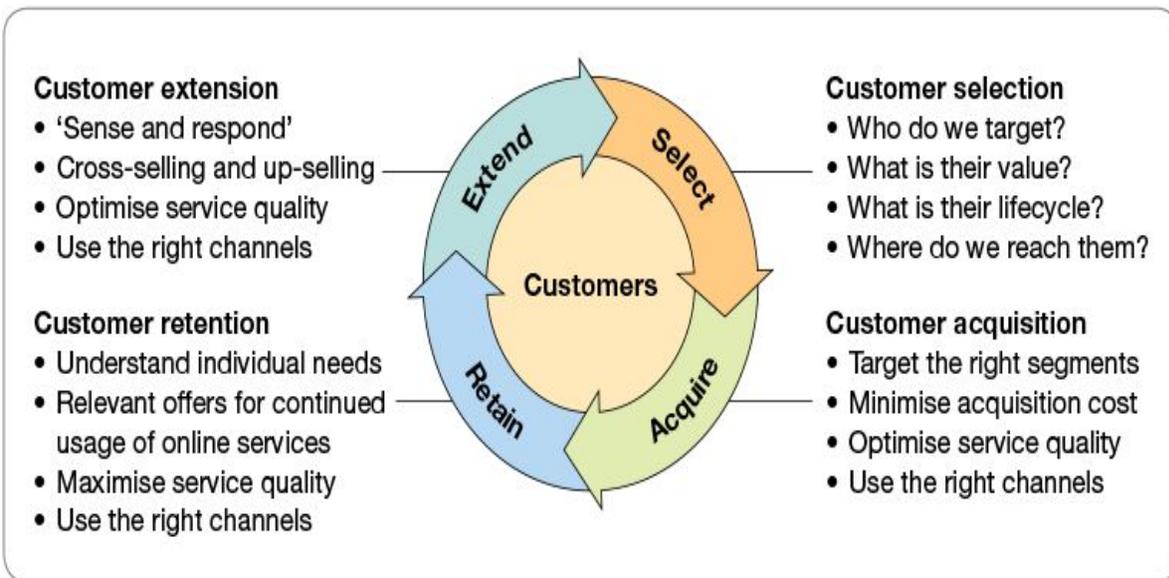
Techniques to encourage customers to increase their involvement with an organisation.

There is a range of customer extension techniques that are particularly important to online retailers:

- **Re-sell.** Selling similar products to existing customers – particularly important in some B2B contexts as rebuys or modified rebuys.
- **Cross-sell.** Selling additional products that may be closely related to the original purchase, but not necessarily so.
- **Up-sell.** A subset of cross-selling, but in this case selling more expensive products.

- **Reactivation.** Customers who have not purchased for some time, or have lapsed, can be encouraged to purchase again.
- **Referrals.** Generating sales from recommendations from existing customers – for example, member-get-member deals.

Figure 6.7 The four classic marketing activities of customer relationship management



You can see that this framework distinguishes between customer retention and customer extension. Retention involves keeping the most valuable customers by selecting relevant customers for retention, understanding their loyalty factors that keep them buying and then developing strategies that encourage loyalty and cement the relationship. Customer extension is about developing customers to try a broader range of products to convert the most growable customers into the most valuable customers.

Peppers and Rogers (1997) recommended the following stages to achieve these goals, which they popularised as the 5Is:

- **Identification.** Learn the characteristics of customers in as much detail as possible to be able to conduct the dialogue.
- **Individualisation.** Individualising is using mass customisation and personalisation to define the company's approach to each customer, offering a benefit to the customer based on the identification of customer needs. The effort expended on each customer should be consistent with the value of that customer to the organisation.

- **Interaction.** Continued dialogue to understand both the customer's needs and the customer's strategic value.
- **Integration.** Integration of the relationship and knowledge of the customer must extend throughout all parts of the company, harnessing data integrated from different systems.
- **Integrity.** Since all relationships are built on trust, it is essential not to lose the trust of the customer. Efforts to learn from the customer should not be seen as intrusive, and privacy should be maintained. (See [Chapter 3](#) for coverage of privacy issues related to e-CRM.)

Permission marketing

Permission marketing is a significant concept that still underpins online CRM in management of the customer lifecycle. 'Permission marketing' is a term coined by Seth Godin (1999). It is best characterised with just three (or four) words:

Permission marketing is ...
 anticipated, relevant and personal [and timely].

Permission marketing

Customers agree (opt-in) to be involved in an organisation's marketing activities, usually as a result of an incentive.

Godin (1999) noted that while research used to show we were bombarded by 500 marketing messages a day, with the advent of the web and digital TV this has now increased to over 3,000 a day! From the marketing organisation's viewpoint, this leads to a dilution in the effectiveness of the messages – how can the communications of any one company stand out? Godin refers to the traditional approach as **interruption marketing**. Permission marketing is about seeking the customer's permission before engaging them in a relationship and providing something in exchange. The classic exchange is based on information or entertainment – a B2B site can offer a free report in exchange for a prospect sharing their email address, which will be used to maintain a dialogue through messaging. You will see permission marketing in action on many retailer sites where they seek to capture email addresses of first-time visitors in return for a discount code to be used for first purchase sent via email or SMS.

Interruption marketing

Marketing communications that disrupt customers' activities.

From a practical e-commerce perspective, we can think of a customer agreeing to engage in a relationship when they check a box on a web form to indicate that they agree to receive further communications from a company, which as we saw from the discussion of communications law in [Chapter 3](#) is now a legal requirement in most countries. This approach is widely known as **opt-in**. This is preferable to **opt-out**, the situation where a customer has to consciously request not to receive further information.

Opt-in

A customer proactively agrees to receive further information.

Opt-out

A customer declines the offer to receive further information.

The importance of incentivisation in permission marketing has also been emphasised by Seth Godin, who likens the process of acquisition and retention to dating someone. Likening customer relationship building to social behaviour is not new, as O'Malley and Tynan (2001) note; the analogy of marriage has been used since the 1980s at least. They also report on consumer research that indicates that while marriage may be analogous to business relationships, it is less appropriate for B2C relationships.

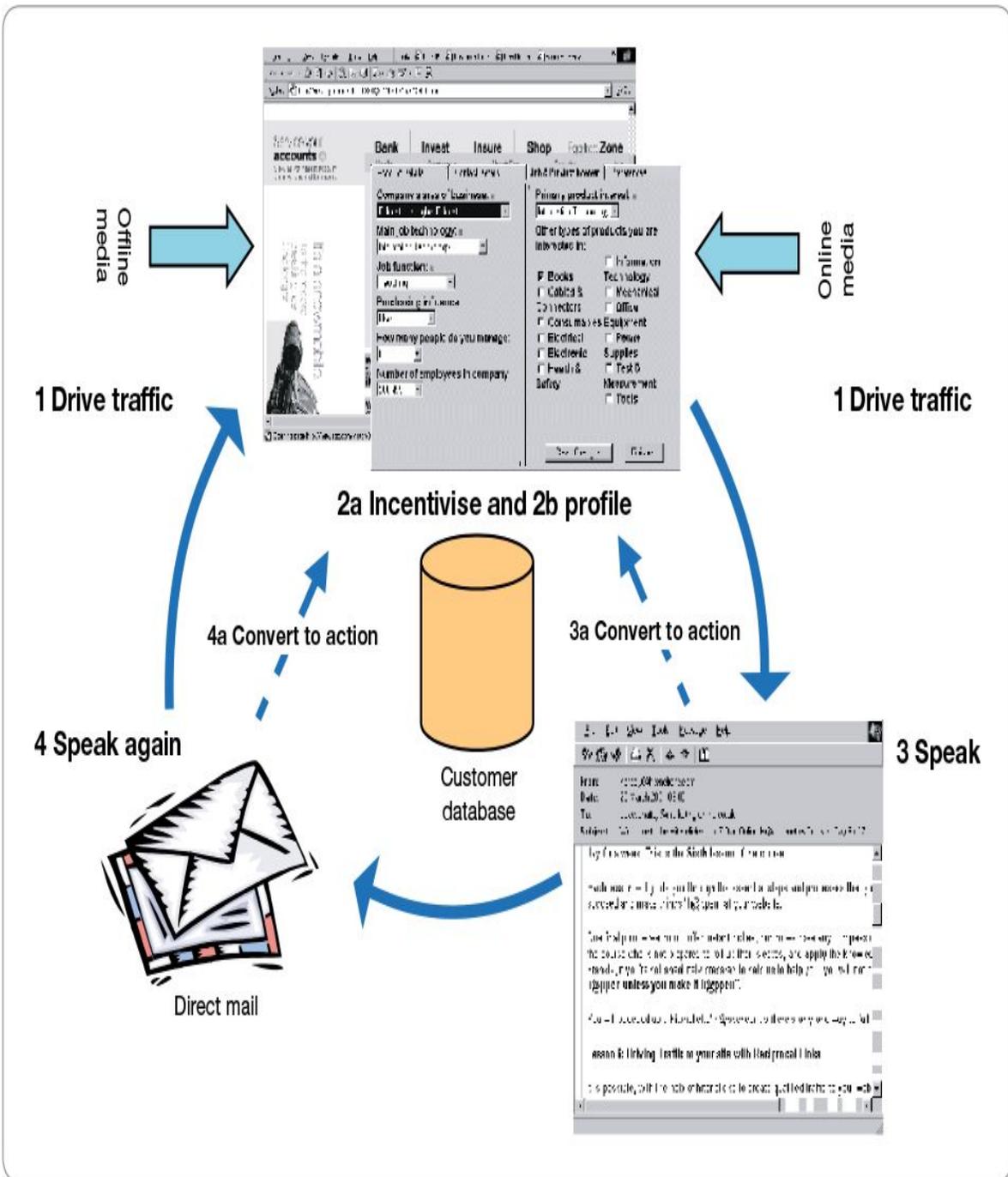
Godin (1999) suggests that 'dating' the customer involves:

1. offering the prospect an *incentive* to volunteer;
2. using the attention offered by the prospect, offering a curriculum over time and teaching the consumer about your product or service;
3. reinforcing the *incentive* to guarantee that the prospect maintains the permission;
4. offering additional *incentives* to get even more permission from the consumer;
5. over time, using the permission to change consumer behaviour towards profits.

In practice, new forms of ‘interruption’ are required. To attract prospects to a website or social media presence, the inbound marketing techniques described in [Chapter 9](#), such as search marketing, social media and remarketing using display ads, are still needed to gain attention.

[Figure 6.8](#) gives a summary of a common, effective process for permission-based online relationship building to support engagement through the different stages of the customer lifecycle.

Figure 6.8 A summary of an effective process of permission-based online relationship building



The stages are:

- Stage 1. Attract new and existing customers to online presence.** Digital inbound communications and offline communications channels described in [Chapter 9](#), such as search, social media marketing and direct mail, are used to drive visitors to a website, Facebook or other form of presence such as an app that enables opt-in.

- **Stage 2a. Prompt and incentivise visitors to action.** Two key types of incentives to consider are: **lead generation offers** and **sales generation offers**.

Lead generation offer

Offered in return for customers providing their contact details and characteristics. Commonly used in B2B marketing where free information such as a report or a seminar will be offered.

Sales generation offer

Encourages product trial. A coupon redeemed against a purchase is a classic example.

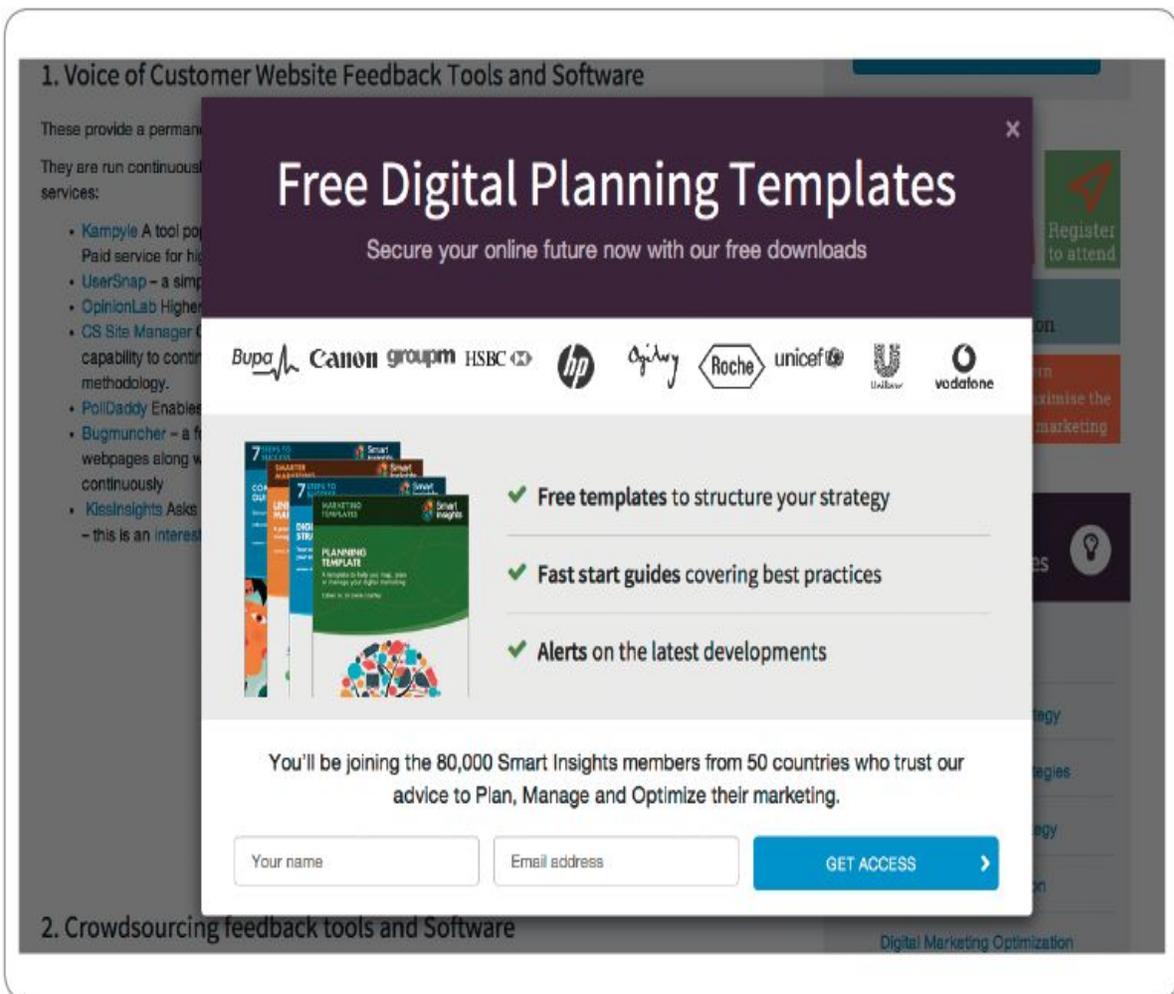
Types of offers marketers can devise include information value, entertainment value, monetary value and privileged access to information (such as that only available on an extranet). The beauty of digital marketing is that different offers can be tested for different audiences using AB or multivariate testing ([Chapter 10](#)) and the offers refined to increase response.

To get visitors to take notice, prominent calls-to-action or pop-ups can boost conversion rates. For example, the pop-up shown in [Figure 6.9](#), which was resisted by Dave Chaffey for several years, increased lead conversion by 40 per cent when deployed on Smart Insights. Many web users will be annoyed by pop-ups, yet for site owners they do increase the number of leads, so the number of pop-ups is now increasing and is likely to do so further.

- **Stage 2b: Capture customer information to maintain relationship.** Capturing profile information is commonly achieved through an online form such as that shown in [Figure 6.9](#), which the customer must complete to receive the offer. It is important to design these forms to maximise their completion. Factors that are important are:
 - *branding* to reassure the customer;
 - *key profile fields* to capture the most important information to segment the customer for future communications – for example, postcode, airport and preferred activities (not too many questions should be asked);
 - *mandatory fields* – mark fields that must be completed or, as in this case, only include mandatory figures;

- *privacy* – ‘we will not share’ is the magic phrase to counter the customer’s main fear of their details being passed on; a full privacy statement should be available for those who need it;
- *KISS* – ‘Keep it simple, stupid’ is a well-known American phrase;
- *WIFM* – ‘What’s in it for me?’ Explain why the customer’s data is being captured; what benefits it will give them?
- *validation* – of email, postcode etc., checking data as far as possible to make it accurate.

Figure 6.9 Example of a pop-up on [SmartInsights.com](https://www.smartinsights.com)



As well as online data capture, it is important to use all customer touchpoints to capture information and keep it up to date, since this affects the ability to target customers accurately. [Figure 6.10](#) provides a good way for a company to review all the possible methods of capturing email addresses and other profile information.

Apart from the contact information, the other important information to collect is a method of **customer profiling** so that relevant content and offers can be delivered to them. For example, B2B company RS Components asks for:

- industry sector;
- purchasing influence;
- specific areas of product interest;
- how many people you manage;
- total number of employees in company.

Customer profiling

Using the website to find out a customer's specific interests and characteristics.

Once data has been initially collected, it should be added to gain a better understanding of customer needs and behaviours. The risk here is that if data is entered into different systems, data quality issues may arise with inaccurate data. Management measures should be put in place to create an accurate **single customer view**. This is a significant risk with CRM systems since data can be collected offline and in different online systems such as on the website, transactional e-commerce or within social media and a separate email system.

Single customer view

Customer profile information is kept consistent across systems to maintain customer data quality.

- **Stage 3: Maintain dialogue using online communication.** To build the relationship between company and customer there are many digital methods of communication, shown in [Figure 6.10](#).
- **Stage 4. Maintain dialogue using offline communication.** Direct mail or phone contact may still be cost-effective forms of communication since these can also be tailored and may have more 'cut-through' compared to an email. With direct mail campaigns the aim may be to drive traffic to the website in a web response campaign using techniques such as:
 - online competition;
 - online web seminar (webinar);
 - sales promotion.

Figure 6.10 Matrix of customer touchpoints for collecting and updating customer email contact and other profile information

Online touchpoints	<ul style="list-style-type: none"> • Online incentive such as prize draw (B2C) or white paper download (B2B) • Viral marketing • E-newsletter opt-in on site • Registration to view content or submit content to a community forum • Renting list, co-branded email or advertising in third-party e-newsletter to encourage opt-in • Co-registration with third-party sites 	<ul style="list-style-type: none"> • Capture email when customer first registers or purchases online • E-newsletter and other methods given on left
Offline touchpoints	<ul style="list-style-type: none"> • Direct mail offer perhaps driving visitors to web • Trade shows or conference • Paper response to traditional direct mail communication • Phone response to direct mail or ad 	<ul style="list-style-type: none"> • Paper order form, customer registration/product warranty form • Sales reps – face to face • Contact centre – by phone • Point of sale for retailers
	New customers	Existing customers

A further objective in stage 3 and stage 4 is to improve customer information quality. In particular, emails may bounce – in which case offline touchpoints, as indicated in [Figure 6.10](#), need to be planned to determine the latest addresses.

With the advent of social media marketing, the permission marketing concept has been applied to social networks where opt-in involves ‘liking’ a brand on Facebook or following a company on Twitter, LinkedIn or Instagram. Within Facebook, ‘liking’ or an exchange of email address can be encouraged by a

company. Of course, email offers a key benefit over social media channels since it can be tailored to the individual.

Writing for *What's New in Marketing*, Chaffey (2004) extended Godin's principles to CRM with his 'e-permission marketing principles', which remain relevant for reviewing use of email marketing and other messaging types:

- **Principle 1.** *Consider selective opt-in to communications.* In other words, offer choice in *communications preferences* to the customer to ensure more relevant communications. Some customers may not want a weekly e-newsletter; rather, they may only want to hear about new product releases. Remember opt-in is a legal requirement in many countries. Four key communications preferences options, selected by tick box, are:
 - *content* – news, products, offers, events;
 - *frequency* – weekly, monthly, quarterly, or alerts;
 - *channel* – email, social network, direct mail, phone or SMS.
- **Principle 2.** *Create a 'common customer profile'.* A structured approach to customer data capture is needed, otherwise some data will be missed – as is the case with the utility company that collected 80,000 email addresses, but forgot to ask for the postcode for geo-targeting! This can be achieved through a common customer profile – a definition of all the database fields that are relevant to the marketer in order to understand and target the customer with a relevant offering. The customer profile can have different levels to set targets for data quality (Level 1 is contact details and key profile fields only, Level 2 includes preferences and Level 3 includes full purchase and response behaviour).
- **Principle 3.** *Offer a range of opt-in incentives.* Many websites now have 'free-win-save' incentives to encourage opt-in, but often it is one incentive fits all visitors. A bundle of incentives or different incentives for different audiences will generate a higher volume of permission, particularly for business-to-business websites.
- **Principle 4.** *Don't make opt-out too easy.* Often marketers make it too easy to unsubscribe. Although offering some form of opt-out is now a legal requirement in many countries due to privacy laws and can help deliverability rates for email, a single click to unsubscribe is making it too easy. Instead, wise permission marketers such as Amazon use the concept of 'My Profile' or a 'selective opt-out'. Instead of unsubscribe, they offer a link to a 'communications preferences' or 'customer centre' web form to update a profile that includes the option to reduce communications, which may be the option taken rather than unsubscribing completely.

- **Principle 5.** *Watch, don't ask (or 'Sense and Respond')*. The need to ask interruptive questions can be reduced through the use of monitoring clicks to better understand customer needs and to trigger follow-up communications. Some examples include:
 - monitoring click-through to different types of content or offer;
 - monitoring the engagement of individual customers with email communications;
 - follow-up reminders to those who don't open the email first time.
- **Principle 6.** *Create an outbound contact strategy*. Online permission marketers need a plan for the number, frequency and type of online and offline communications and offers. This is a **contact** or **touch strategy**, which is particularly important for large organisations with several marketers responsible for email communications. We describe contact strategies in more depth in the next section.

Contact (touch) strategy

Definition of the sequence and type of outbound communications required at different points in the customer lifecycle.

Say and Southwell (2006) give an example of a permission-based campaign to promote a new interactive banking service. The campaign objectives and results (in brackets) were to:

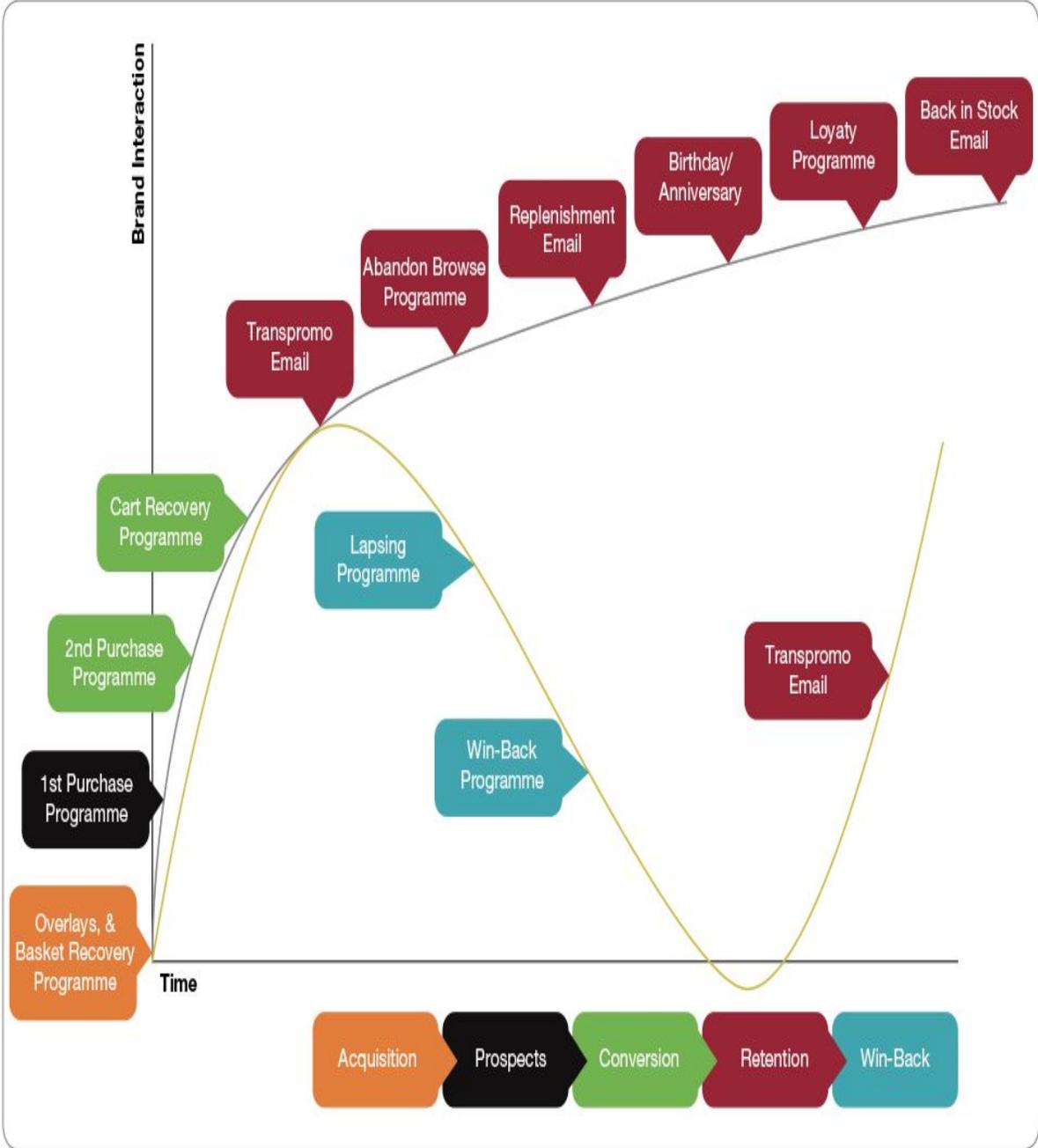
- capture 5,000 mobile phone numbers from customers (200 per cent of plan);
- acquire 3,000 email addresses (176 per cent of plan);
- raise awareness about the new service (31,000 customers view demonstration);
- create 1,000 new registrations (576 per cent of plan).

Developing contact strategies that define the trigger, aims, messaging, offer and time interval for communications is a vital skill to develop the most from customer communications. [Figure 6.11](#) shows recommendations of different contact strategies from Kath Pay, an email marketing automation consultant who created this visual to show the opportunity for retailers to communicate with their audiences via email.

Let's now look in more detail at examples of contact strategies at different points in the customer lifecycle. The acquisition activities for a retailer involve

overlays (pop-up) or other prompts to capture emails, with follow-up welcome emails to encourage subscription. An example of a welcome contact strategy is shown in Table 6.1.

Figure 6.11 Options for lifecycle email marketing messages for a retailer



Source: Kath Pay, Holistic Email Marketing (2016) What is lifecycle marketing?, <https://www.holisticemailmarketing.com/blog/what-is-lifecycle-marketing/> (accessed 30 July 2018).

Table 6.1 Example of welcome contact strategy

Message type	Interval/trigger condition	Outcomes required	Medium for message/sequence
1 Welcome message	Guest site membership sign-up immediate	Encourage trial of site services Increase awareness of range of commercial and informational offerings	Email, post-transaction page
2 Engagement message	1 month inactive (i.e. 63 visits)	Encourage use of forum (good enabler of membership) Highlight top content	Email, home page, side panels deep in site
3 Initial cross-sell message	1 month active	Encourage membership Ask for feedback	Email
4 Conversion	2 days after browsing content	Use for range of services for guest members or full members	Phone or email

Note that additional customisation through a **dynamic content email** is possible based on knowledge of the subscriber. Dynamic content can also be added to panels of an enewsletter to increase engagement. This can also include real-time information – for example, a retailer could include weather information or stock levels.

Dynamic content email

Copy, creative and offer in an email is customised based on rules or real-time content to increase its relevance and response.

Mini-case study 6.3 gives another example of a contact strategy, when a retailer can gain sales by following-up with an email (or push notification) after a ‘basket abandon’, i.e. a shopper has browsed products, added one to their shopping cart or basket, but not purchased. The case shows how these types of communications need to be planned or tested.

Another situation where automated communications need to be put in place is for the ‘emotionally’ unsubscribed who are inactive members of an email subscriber list. They represent a significant issue in the management of customer email marketing programmes. The orange curve in [Figure 6.11](#) shows how engagement can fall from the level shown.

Mini case study 6.3: WHSmith uses behavioural email to encourage engagement

Behavioural email marketing or remarketing is a classic ‘sense and respond’ e-CRM approach. In this case, a classic abandoned shopping cart follow-up email, but with three alternative communications that were tested, with these results:

1. *Generic branded follow-up email*: + 10 per cent conversion rate.
2. *Personalised remarketing email with a promotional code for a 5 per cent discount time-limited to 72 hours*: + 100 per cent conversion rate.
3. *Personalised remarketing email with a promotional code for a 5 per cent discount time-limited to 48 hours*: + 200 per cent conversion rate.

A survey was conducted (VE interactive) of those customers who had clicked through from the remarketing emails and had made a purchase, but who hadn’t actually used the promotional codes! Interestingly, it was found:

- these customers had still reacted to the remarketing email as a prompt to return to the WHSmith website;
- it was the expiry date of the call to action that had prompted them to return, even though they then did not take advantage of the 5 per cent discount promo code.

Source: VE Interactive Case Study published on SmartInsights:

www.smartinsights.com/email-marketing-ecrm-alerts/email-remarketing-an-example-of-how-to-test/ (accessed January 2015).

Although unsubscribe rates are usually low (for example, less than 0.1 per cent per email sent) there can be upwards of 50 per cent of a list who are ‘emotionally unsubscribed’ – i.e. they are not actually unsubscribed, but rarely open or click, suggesting that email is not an effective communications channel.

To avoid this and to maintain engagement, it is important to ensure that the contact strategy has been planned and implemented to deliver relevant messages. The lapsed and ‘win-back’ contact strategies in [Figure 6.11](#) show

how these can be addressed. Some other steps that can be taken to manage this issue include:

- Measure the level of activity in email response at a more granular level, e.g. review open, click, purchase rates or other actions at different points in time compared to when the subscribers first signed up. Response rates from different segment types who have taken different actions can also be reviewed to see how engaging they find the e-newsletter.
- Test different frequencies. It may be appropriate to reduce frequency if customers become ‘emotionally unsubscribed’ and then emails received will have a large impact. List members can also be surveyed for their preferences, possibly as part of a reactivation campaign.
- Develop automated customer lifecycle emails as part of the contact strategy, which are relevant and tailored according to the interests of the subscriber. Lifecycle emails will include welcome email contact strategies, reactivation email strategies and other service messages such as customer feedback surveys.
- Ensure the fields that are used to customise messages are those that are most likely to be relevant. Often these won’t be the obvious fields such as gender, but contextual information related to content or products that have been recently consumed.
- Use offline communications such as direct mail and phone where list members express a preference for these.

Personalisation and mass customisation

Increasingly, companies gather much personal data through the application of digital technology and then use it to develop personalised communication messages, with the aim of making the content appear more aligned to an individual’s interests. The different targeting variables shown in [Figure 6.12](#) can be used to deliver more relevant, contextual personalised email or web messages. However, not all individuals respond favourably; indeed some react negatively towards brands that adopt this approach due to fears over security of personal data and the feeling they are being manipulated (Tucker, 2014). This leaves online marketers with a dilemma: should they strengthen privacy controls but in doing so reduce the opportunity to personalise their advertising messages and thereby reduce the potency of personalised communications? Tucker (2014) investigates the question of ‘How strengthening privacy controls affects advertising performance’ using Facebook advertising campaigns. Tucker

(2014) found that when individuals were given more control over privacy settings they were more likely to respond positively to personalised communications. So, to derive maximum benefits from the use of personal information, advertisers should consider giving individuals more control over how their information is used – for example, through tailoring content they receive via email through a **customer preferences centre**.

Customer preferences centre

Profile page(s) that enables customers to tailor the type and frequency of communications they receive.

Recommendations based on profile information, behaviour or predictive analytics are usually known as **personalisation** or sometimes **mass customisation**. A well-known example of personalisation is when Amazon recommends similar products according to what others in a segment have offered, or if it sent a similar email to customers who had an interest in a particular topic.

Personalisation

Web-based personalisation involves delivering customised content for the individual, through web pages, email or mobile push notifications.

Mass customisation

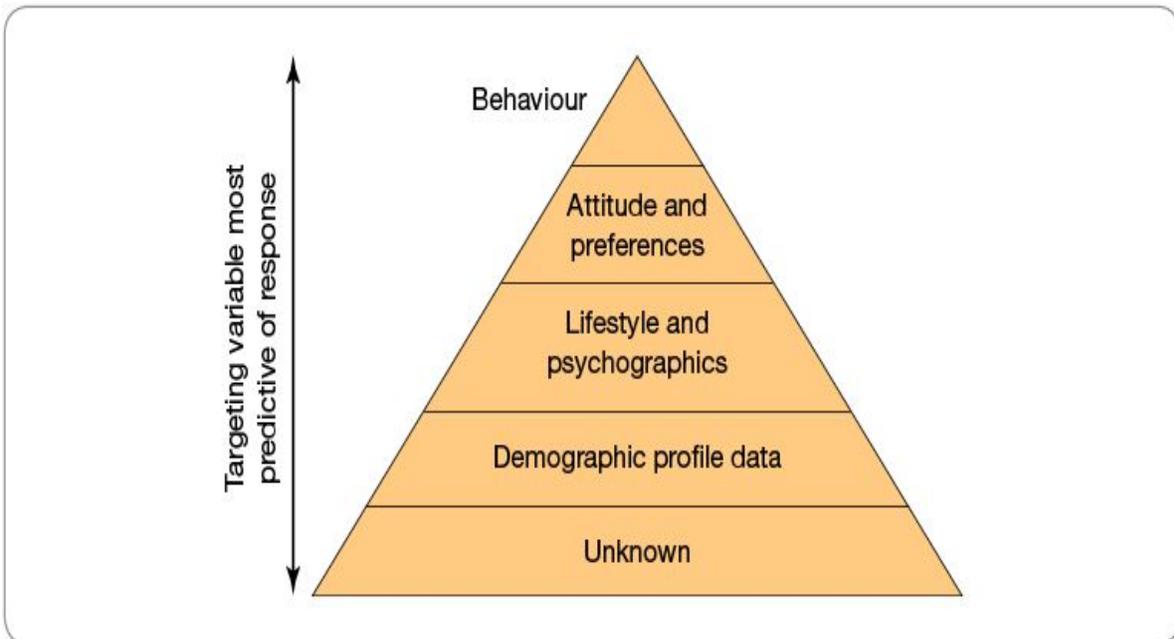
The creation of tailored marketing messages or products for individual customers or groups of customers typically using technology to retain the economies of scale and the capacity of mass marketing or production.

Collaborative filtering is a method of implementing personalisation where site visitors are recommended content or offers by comparing them with customers in its database. The more information a database contains about an individual customer, the more useful its recommendations can be. The best-known example of this technology in action can be found on the Amazon website (www.amazon.com), where the database reveals that customers who bought book X also bought books Y and Z. This is a more sophisticated machine learning or AI-driven technique, compared to simple rules-based personalisation where visitors in categories are given fixed personalised recommendations.

Collaborative filtering

Recommended content or promotions are automatically created based on reviewing similarities in how customers behave.

Figure 6.12 The extent to which different types of segmentation variables tend to be predictive of response



Customer identity management

Permission-based marketing and the automation of marketing information can create issues in respect of consumer privacy law (as discussed in [Chapter 3](#)). Careful management is required to ensure protection of customer data and this should lead to better quality targeting. The concept of **customer identity and access management (CIAM)** is one element of this requirement. Forrester (2017) explains these benefits of CIAM services, which are available from CRM-independent CIAM providers, such as Janrain™, Gigya™, Login-Radius™, Auth0™, and CRM™ providers such as Salesforce and Microsoft.

Customer identity and access management (CIAM)

A category of application for managing user access and consent to online information and services typically known as social log-in or sign-on.

- **Streamline new customer acquisition and registration processes through social log-in.** Allowing customers to use bring-your-own-identity (BYOI) from a recognised social identity provider such as Facebook, Google, LinkedIn or PayPal, and preregister on a site is a large component of many CIAM implementations.
- **Manage user consent to meet compliance with global privacy requirements.** Multinational brands with millions of customers must address demands globally where different regions and countries have different privacy requirements.
- **Provide user-centric capabilities for preference management.** Updating communications preferences or opting-out in a preference centre.
- **Integrate with other systems and report on performance.** CIAMs can integrate with CRM systems, but do not replace their messaging functionality.

Using digital media to increase customer loyalty and value

The ultimate commercial aim of relationship marketing approaches such as CRM is to increase engagement with customers, leading to increased **customer loyalty** and so directing sales from these customers and indirect sales through advocacy. Understanding the different levers that contribute to increased engagement and loyalty among different customer groups should be the starting point in developing a customer retention and growth strategy.

Customer loyalty

The desire on the part of the customer to continue to do business with a given supplier over time.

In [Chapter 2](#) we introduced the ‘Loyalty Loop’ described by Court *et al.* (2009) in the classic *McKinsey Quarterly* white paper ‘The consumer decision journey’. The paper discusses ‘Loyalty Loop’, which shows opportunities for brands to reinforce the loyalty of their own customers or encourage switching after purchase during what it calls the ‘Enjoy, Advocate, Bond’ stage. They found that more than 60 per cent of consumers of facial skin care products conduct online research about the products *after* purchase – a touchpoint not normally considered in the classic marketing funnel.

When consumers are pleased with a purchase, they'll advocate it by word of mouth including social media, but if a consumer is disappointed by the brand, they may criticise it through social media. Part of social CRM activities is to encourage online advocacy and limit negative word of mouth. Presi *et al.* (2014) explored how customers who share their negative service experience by creating UGC in social media can be segmented according to their motivation. They found that altruistic, vengeance and economic motivations are strong drivers for user-generated content (UGC) creation after a negative service experience.

Determining what customers value

Consider the different forms of online interaction a consumer can have with a brand that can determine their perceptions of satisfaction and influence loyalty. [Figure 6.13](#) shows how, when using digital media for online retention marketing, our ultimate goal on the right of the diagram is customer loyalty. The factors on the left help to deliver two main drivers of loyalty. First, **emotional loyalty**, where loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations, including social sharing. The success factors at the top of the diagram are all related to the customer experience of online services (as we will explore further at the start of [Chapter 7](#)). These tend to influence emotional loyalty the most, and these are important in determining customer satisfaction.

Emotional loyalty

Loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations.

The second type of loyalty is **behavioural loyalty**, where loyalty relates to repeat sales, repeated site visits, social interactions and response to marketing campaigns. To achieve these repeat sales, companies work hard to deliver relevant marketing communications, either through email and social media communications, web-based personalisation or through traditional media.

Behavioural loyalty

Loyalty to a brand is demonstrated by repeat sales and response to marketing campaigns.

Figure 6.13 shows typical loyalty drivers to review, but customer research is essential to understand how specific factors affect loyalty and how satisfaction influences loyalty.

The relationship between satisfaction and loyalty

Although the terms ‘satisfaction’ and ‘loyalty’ are sometimes used interchangeably, we have seen that they do not necessarily correspond.

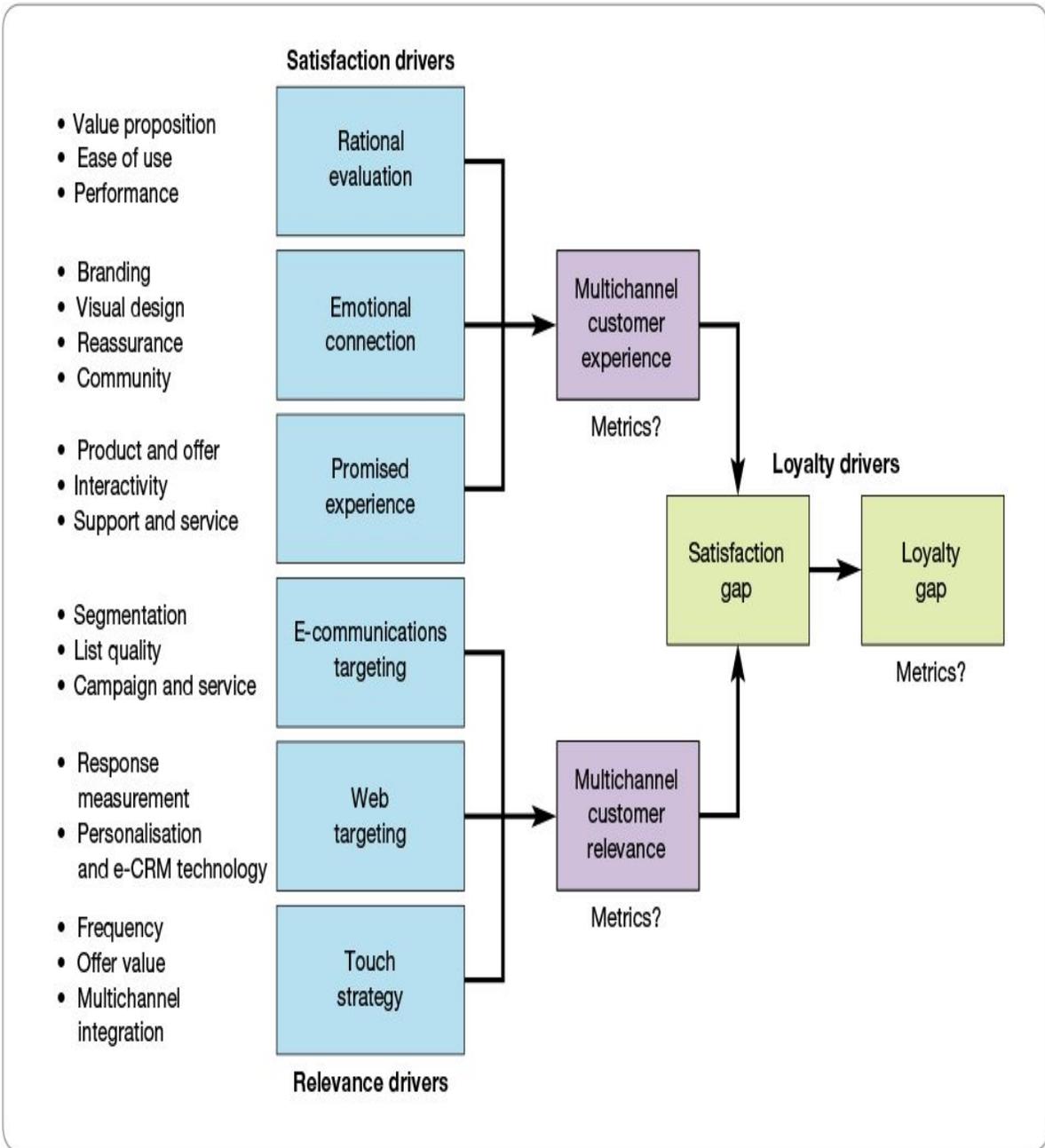
Customer satisfaction refers to how happy a customer is about the quality of products and services. As a customer’s satisfaction with products and/or services increases, so should their behavioural and emotional loyalty, together with advocacy (see Table 6.2 and Mini case study 6.4: How car manufacturers use loyalty-based segmentation).

Customer satisfaction

The extent to which a customer’s expectations of product quality, service quality and price are met.

As we have seen, however, there may be customers with a high degree of satisfaction who don’t exhibit behavioural loyalty and, conversely, customers who are loyal according to their behaviour that may be at risk of defection since they are not satisfied. The implications are that it is important not only to measure satisfaction with online services, but loyalty also. In this way, we are able to identify customers at risk of defection who are likely to choose an alternative and those in the zone of indifference. This is an important category of customer who, although they may have a high degree of satisfaction, is not necessarily loyal.

Figure 6.13 Factors affecting customer satisfaction and loyalty



Measuring the voice of the customer in digital media

Online voice of customer (VoC) measures are useful for reviewing customer sentiment online. The satisfaction ratings we have reviewed are one example of VoC measures. Another approach, which we will explore in Chapters 7 and 10, is intent-satisfaction surveys where the reasons for why a customer is visiting a site are compared against their success in completing tasks and their satisfaction ratings. This is a key technique for improving online customer journeys.

Online voice of customer (VoC)

Qualitative assessments of the effectiveness of digital presence based on direct customer feedback. They answer ‘who and why’ questions about how customers interact with brands online.

Net Promoter Score (NPS) is a key VoC measure of advocacy originally popularised by Reichheld (2006) in his book; the ‘Ultimate Question’ is essentially ‘would you recommend us?’. The aim is to work out techniques to maximise this NPS. Reichheld explains the main process for NPS as follows:

1. Systematically categorise customers into promoters, passives or detractors. If you prefer, you can call them loyal advocates, fair-weather friends and adversaries.
2. Create closed-loop processes so that the right employees will directly investigate the root causes that drive customers into these categories.
3. Make the creation of more promoters and fewer detractors a top priority so employees up and down the organisation take actions based on their findings from these root-cause investigations.

Net Promoter Score (NPS)

A measure of the number of advocates a company (or website) has who would recommend it compared to the number of detractors.

In practice, consumers are asked ‘Would you recommend [brand/company X] to a friend or colleague?’, answered on a scale between 0 (not at all likely) and 10 (extremely likely). The actual score is calculated by subtracting the percentage of detractors (those giving 0–6 answers) from promoters (9–10s). The middle section, between 7 and 8, are the so-called ‘passives’.

Mini case study 6.4: How car manufacturers use loyalty-based segmentation

An approach to reconciling customer satisfaction, loyalty, value and potential is to use a value-based segmentation. This modelling approach is often used by car manufacturers and other companies that are assessing strategies to enhance the future value of their customer segments. This approach involves creating a segmentation model combining real data for

each customer about their current value and satisfaction, and modelled values for future loyalty and value. Each customer is scored according to these four variables:

- current satisfaction;
- repurchase loyalty;
- current value;
- future potential.

Table 6.2 Loyalty-based segmentation for car manufacturer

SLVP score	Nature of customer	Segment strategy
Moderate satisfaction and loyalty. Moderate current and future potential value	An owner of average loyalty who replaces their car every three to four years and has a tendency to repurchase from brand	Not a key segment to influence. But should encourage to subscribe to e-newsletter club and deliver targeted messages around time of renewal
High satisfaction, moderate loyalty. Low future and potential value	A satisfied owner but tends to buy second-hand and keeps cars until they have a high mileage	Engage in dialogue via email newsletter and use this to encourage advocacy and make aware of benefits of buying new
Low satisfaction and loyalty. High current and future potential value	A dissatisfied owner of luxury cars who is at risk of switching	A key target segment who needs to be contacted to understand issues and reassure about quality and performance

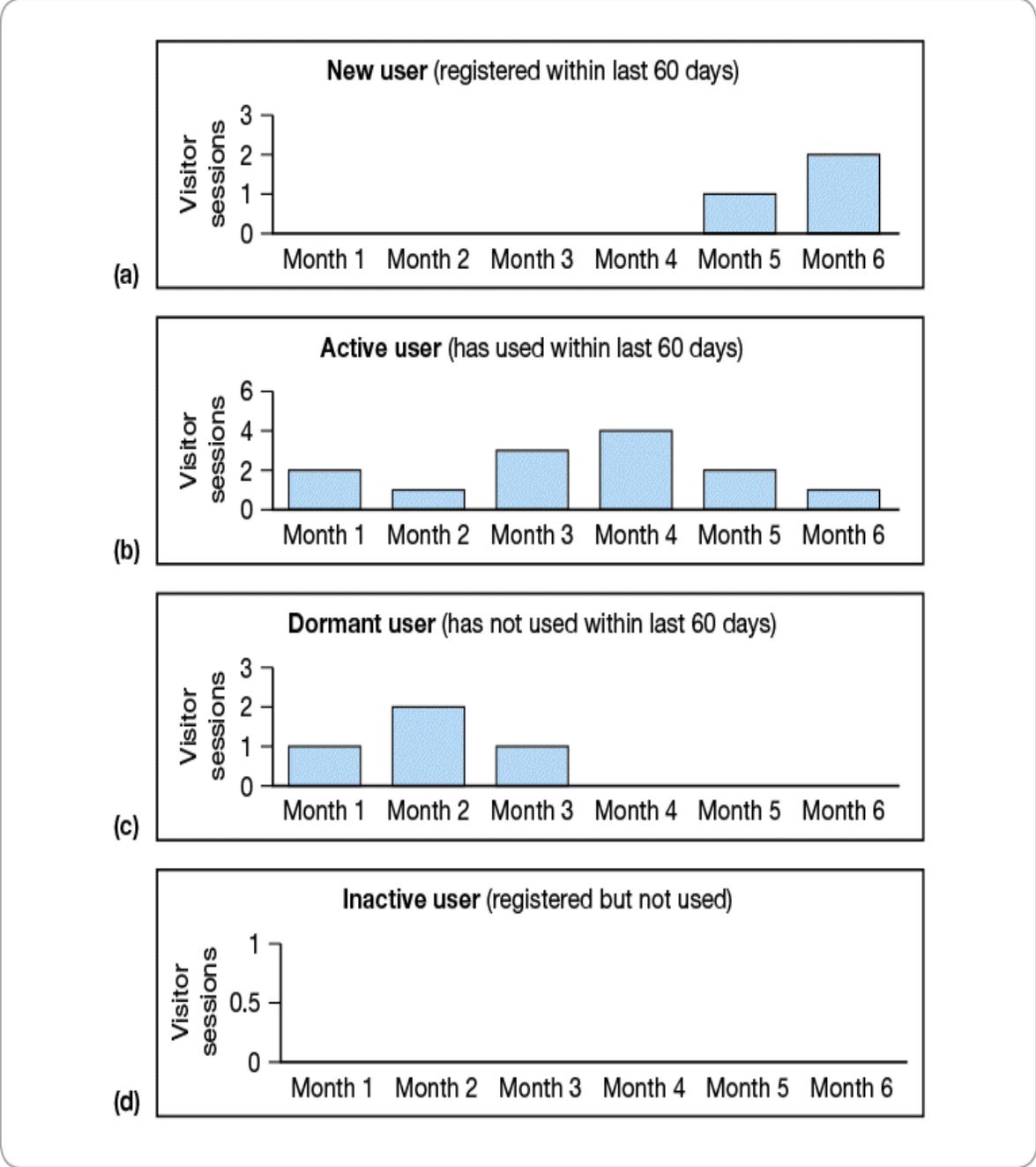
So, the idea is that after surveying as many customers as possible (to make it representative) and show you are listening, you then work backwards to determine which aspects of the experience of interacting with a brand creates ‘promoters’ or ‘detractors’.

Differentiating customers by value and engagement

A core approach to relationship marketing is to focus our limited resources and marketing activities on the most valuable customers. Within the online customer base of an organisation, there will be customers who have different levels of activity or engagement with online services and purchasing. A good example is a bank – some customers may use the online account once a week, others far less frequently and some not at all. [Figure 6.14](#) illustrates the different levels of activity in this case.

A key part of CRM strategy is to define measures that indicate activity levels and then develop tactics to increase activity levels through more frequent use. An online magazine could segment its customers in this way, also based on returning visitors. Even for companies without transactional service, a similar concept can apply if they use email marketing – some customers will regularly read and interact with the email and others will not.

Figure 6.14 Activity segmentation of a site requiring registration



Objectives and corresponding tactics can be set for:

- Increasing the number of new users per month and annually (separate objectives will be set for existing bank customers and new bank customers) through promoting online services to drive visitors to the website.
- Increasing the percentage of active users (an appropriate threshold can be used – for different organisations it could be set at 7, 30 or 90 days). Using direct communications, such as email, personalised website messages, direct mail and phone communications, to new, dormant and inactive users increases the percentage of active users.
- Decreasing the percentage of dormant users (once new or active – could be sub-categories) who have not used the service or responded to communications within a defined time period, such as three months.
- Decreasing the percentage of inactive users (or non-activated) users. These are those who signed up for a service such as online banking and had a username issued, but have not used the service.

You can see that corresponding strategies can be developed for each of these objectives.

Another key metric, in fact the *key* retention metric for e-commerce sites, refers to repeat business. The importance of retention rate metrics was highlighted by Agrawal *et al.* (2001). The main retention metrics they mention that influence profitability are:

- **Repeat-customer base:** the proportion of the customer base that has made repeat purchases.
- **Number of transactions per repeat customer:** this indicates the stage of development of the customer in the relationship (another similar measure is number of product categories purchased).
- **Revenue per transaction of repeat customer:** this is a proxy for lifetime value since it gives average order value.

Lifetime value modelling

An appreciation of **lifetime value (LTV)** is key to the theory and practice of customer relationship management.

Lifetime value (LTV)

Lifetime value is the total net benefit that a customer or group of customers will provide a company over their total relationship with that company.

Digital technology has enabled marketers to become more sophisticated in how they can identify and target valuable customers. Kumar *et al.* (2007) explain it this way:

By applying statistical models, they can predict not only when each customer is likely to make a future purchase but also what he or she will buy and through which channel. Managers can use these data to estimate a potential lifetime value for every customer and to determine whether, when and how to contact each one to maximise the chances of realising (and even increasing) his or her value.

However, while the term is often used, calculation of LTV is not straightforward, so many organisations do not calculate it. You are referred to Kumar *et al.* (2007) for an explanation of LTV calculations. Lifetime value is defined as the total net benefit that a customer, or group of customers, will provide a company over their total relationship with the company. Modelling is based on estimating the income and costs associated with each customer over a period of time, and then calculating the net present value in current monetary terms using a discount rate value applied over the period.

There are different degrees of sophistication in calculating LTV. These are indicated in [Figure 6.15](#). Option 1 is a practical way or approximate proxy for future LTV, but the true LTV is the future value of the customer at an individual level.

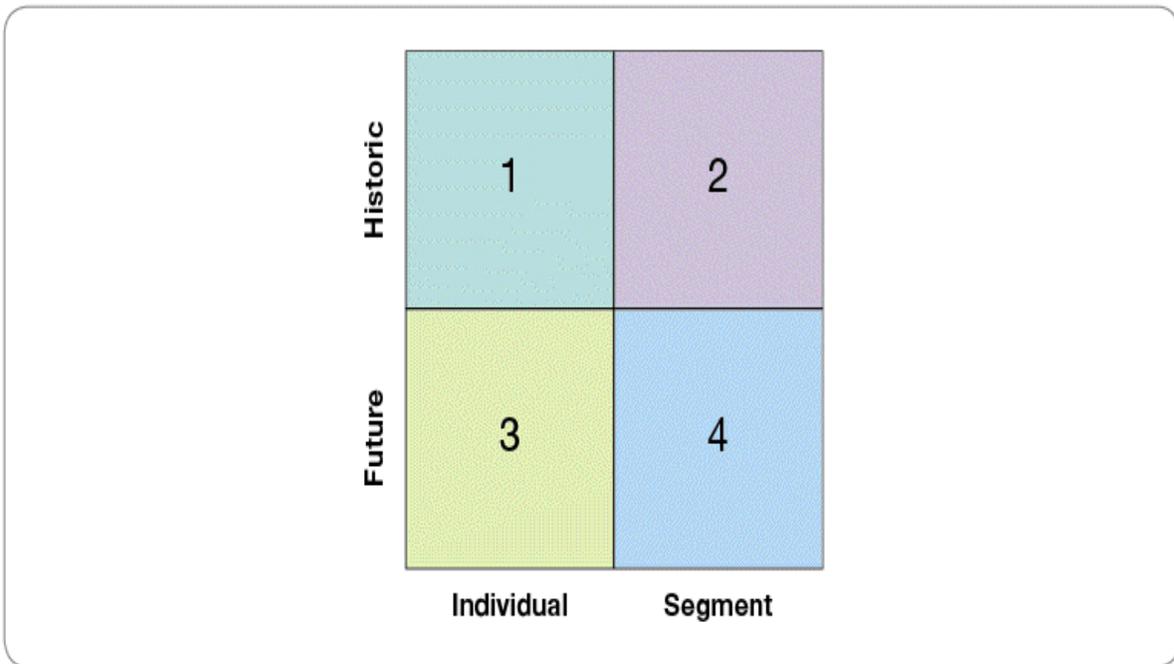
Lifetime value modelling at segment level (4) is vital within marketing since it answers the question:

How much can I afford to invest in acquiring a new customer?

If online marketers try to answer this from a short-term perspective, as is often the case – i.e. by judging it based on the profit from a single sale on an e-commerce site – there are two problems:

- They become very focused on short-term return on investment (ROI) and so may not invest sufficiently to grow the business.
- They assume that each new customer is worth precisely the same and ignore differentials in loyalty and profitability between differing types of customer.

Figure 6.15 Different representations of lifetime value calculation (LTV)



Lifetime value analysis enables marketers to:

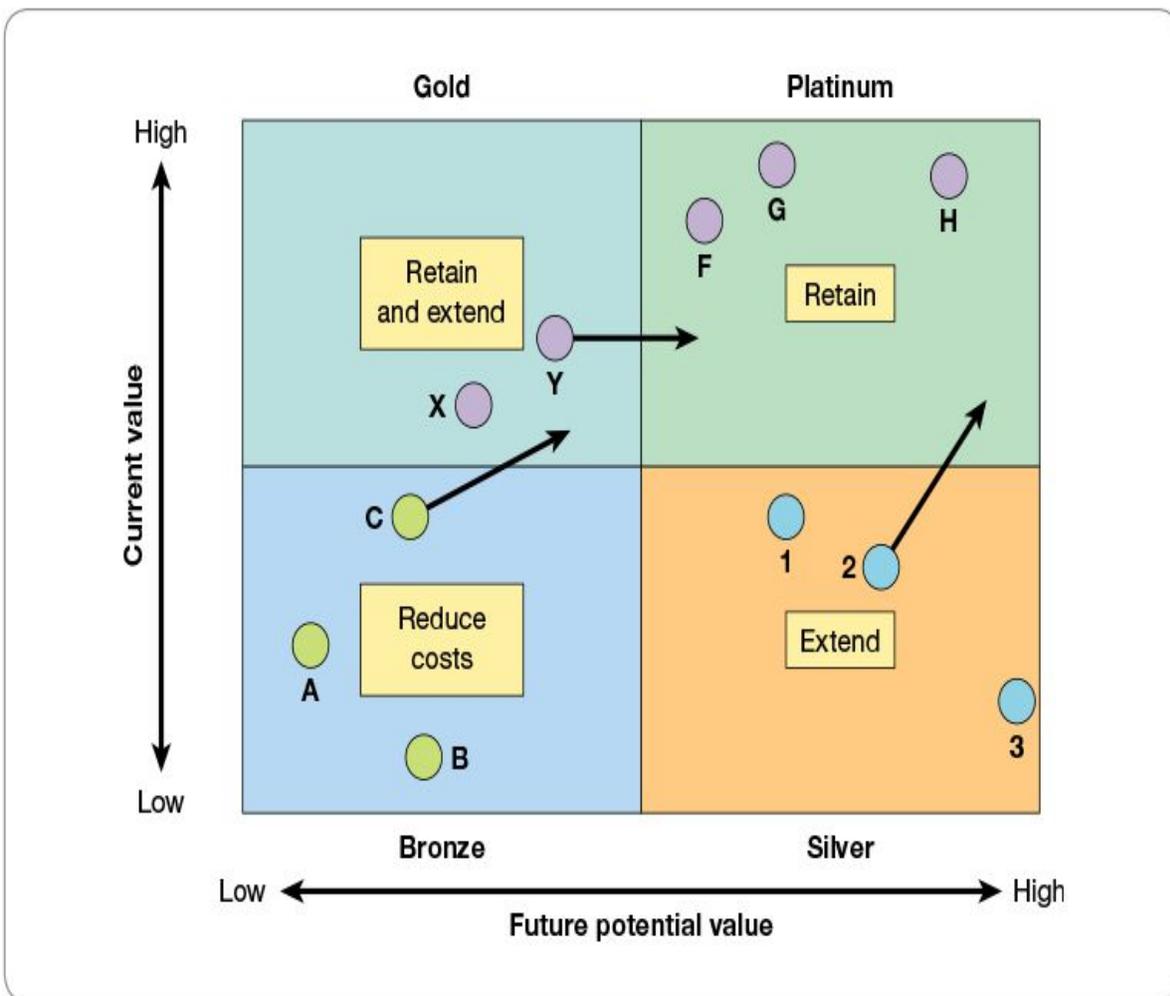
- plan and measure investment in customer acquisition programmes;
- identify and compare critical target segments;
- measure the effectiveness of alternative customer retention strategies;
- establish the true value of a company's customer base;
- make decisions about products and offers;
- make decisions about the value of introducing new e-CRM technologies.

[Figure 6.16](#) gives an example of how LTV can be used to develop a CRM strategy for different customer groups. Four main types of customers are indicated by their current and future value as bronze, silver, gold and platinum. Distinct customer groupings (circles) are identified according to their current value (as indicated by current value) and future value (as indicated by lifetime value calculations). Each of these groups will have a customer profile signature based on their demographics, so this can be used for customer selection. Different strategies are developed for different customer groups within the four main value groupings. Some bronze customers, such as groups A and B, realistically do not have development potential and are typically unprofitable, so the aim is to reduce costs in communications and if they do not remain as customers this is acceptable. Some bronze customers, such as group C, may have potential for growth so for these the strategy is to extend their purchases.

Silver customers are targeted with customer extension offers and gold customers are extended where possible, although they have relatively little growth potential. Platinum customers are the best customers, so it is important to understand the communication preferences of these customers and not to over-communicate unless there is evidence that they may defect.

To illustrate another application of LTV and how it is calculated, take a look at the example in [Activity 6.2](#).

Figure 6.16 An example of an LTV-based segmentation plan



Activity 6.2: Charity uses lifetime value modelling to assess returns from new CRM system

A charity is considering implementing a new email marketing system to increase donations from its donors. The charity's main role is as a relief agency that aims to reduce poverty through providing aid, particularly to the regions that need it most. Currently, its only email activity is a monthly e-newsletter received by its 200,000 subscribers, which features its current campaigns and appeals. It hopes to increase donations by using a more targeted approach based on previous customer behaviour. The email system will integrate with the donor database, which contains information on customer profiles and previous donations.

The company is considering three solutions that will cost between £50,000 and £100,000 in the first year. In the charity, all such investments are assessed using lifetime value modelling.

Table 6.3 is a lifetime value model showing customer value derived from using the current system and marketing activities.

- A Donors** – this is the number of initial donors. It declines each year dependent on the retention rate (row B).
- B Retention rate** – in lifetime value modelling this is usually found to increase year-on-year, since customers who stay loyal are more likely to remain loyal.
- C Donations per annum** – likewise, the charity finds that the average contributions per year increase through time within this group of customers.
- D Total donations** – calculated through multiplying rows A and C.
- E Net profit (at 20 per cent margin)** – LTV modelling is based on profit contributed by this group of customers; row D is multiplied by 0.2.
- F Discount rate** – since the value of money held at a point in time will decrease due to inflation, a discount rate factor is applied to calculate the value of future returns in terms of current-day value.
- G NPV contribution** – this is the profitability after taking the discount factor into account to give the net present value in future years. This is calculated by multiplying row E by row F.
- H Cumulative NPV contribution** – this adds the previous year's NPV for each year.
- I Lifetime value at net present value** – this is a value per customer calculated by dividing row H by the initial number of donors in Year 1.

Table 6.3 Lifetime value model for customer base for current system

	Measure	Year 1	Year 2	Year 3	Year 4	Year 5
A	Donors	100,000	50,000	27,500	16,500	10,725
B	Retention	50%	55%	60%	65%	70%
C	Donations per annum	£100	£120	£140	£160	£180
D	Total donations	£10,000,000	£6,000,000	£3,850,000	£2,640,000	£1,930,500
E	Net profit (at 20% margin)	£2,000,000	£1,200,000	£770,000	£528,000	£386,100
F	Discount rate	1	0.86	0.7396	0.636	0.547
G	NPV contribution	£2,000,000.0	£1,032,000.0	£569,492.0	£335,808.0	£211,196.7
H	Cumulative NPV contribution	£2,000,000.0	£3,032,000.0	£3,601,492.0	£3,937,300.0	£4,148,496.7
I	Lifetime value at net present value	£20.0	£30.3	£36.0	£39.4	£41.5

Based on preliminary tests with improved targeting, it is estimated that with the new system, retention rates will increase from 50 to 51 per cent in the first year, increasing by 5 per cent per year as currently. It is estimated that in year 1 donations per annum will increase from £100 per annum to £120 per annum, increasing by £20 per year as currently.

Question

Using the example of the lifetime value for the current donor base with the current system, calculate the LTV with the new system.

Kumar *et al.* (2007) note that the capability of a customer to generate value is divided into lifetime value of purchases (CLV) and what they term CRV, customer referral value. This concept is closely related to that of the 'net promoter score' identified earlier in the chapter. These authors stress that there

is not a clear correlation between CLV and CRV. For example, in their study they found that customers with the highest CLV did not have the highest CRV. So they suggest that customers should be segmented according to both attributes and then tactics developed. For one company they studied, they identified four groupings of customers presented in a customer value matrix, plotting average CRV at one year on the *x*-axis and average CLV after one year on the *y*-axis to give these segments:

- Champions (top-right) – 21% of customers, CLV = \$370, CRV = \$590
- Misers (bottom-left) – 21% of customers, CLV = \$130, CRV = \$64
- Affluents (top-left) – 29% of customers, CLV = \$1,219, CRV = \$49
- Advocates (bottom-right) – 29% of customers, CLV = \$180, CRV = \$670.

You can see that it would be worthwhile using different tactics for each segment to encourage recommendation or purchase – for example, to migrate misers to affluents or advocates, and advocates and affluents to champions.

In-depth analysis of customer data has traditionally been completed by catalogue retailers such as Argos, Littlewoods Index™ or retailers such as Boots using techniques like customer order gap analysis or **recency–frequency–monetary value (RFM) analysis**.

Recency–frequency–monetary value (RFM) analysis

RFM is sometimes known as FRAC, which stands for: frequency, recency, amount (obviously equivalent to monetary value), category (types of product purchased – not included within RFM).

Customer order purchase gap analysis is aimed at increasing purchases by customers. According to Eurooffice (2017), it involves identifying purchasing patterns and comparing category mix, multi-buys, revenue and average order-size patterns across customer databases and segments of customers, all with the aim of identifying new opportunities. Using order gap analysis, retailers can build contact and merchandising strategies, pinpointing the right time to communicate with their customers – delivering relevant messages, offers, prices and promises at the opportune time. Gap analysis can also be used to determine when a customer is at risk of lapsing – for example, if a customer is potentially shopping with multiple retailers or if a customer is changing his/her buying behaviour.

RFM analysis is a technique that tends to be little known outside retail circles, but CRM gives great potential to apply it in a range of techniques since we can use it not only to analyse purchase history and targeting outbound communications, but also visit or log-in frequency to a site or online service and response rates to email communications.

We will now give an overview of how RFM approaches can be applied, with special reference to online marketing. We will also look at the related concepts of latency and hurdle rates.

Recency

This is the recency of customer action, e.g. purchase, site visit, account access, email response. Novo (2003) stresses the importance of recency when he says:

Recency, or the number of days that have gone by since a customer completed an action (purchase, log-in, download, etc.), is the most powerful predictor of the customer repeating an action ... Recency is why you receive another catalogue from the company shortly after you make your first purchase from them.

Online applications of analysis of recency include monitoring through time to identify vulnerable customers, and scoring customers to preferentially target more responsive customers for cost savings.

Frequency

Frequency is the number of times an action is completed in a period of a customer action – e.g. purchase, visit, email response (for example, five purchases per year, five visits per month, five log-ins per week, five email opens per month, five email clicks per year). Online applications of this analysis include combining with recency for ‘RF targeting’.

Monetary value

The monetary value of purchase(s) can be measured in different ways – for example, average order value of £50, total annual purchase value of £5,000. Generally, customers with higher monetary values tend to have a higher loyalty and potential future value since they have purchased more items historically. One example application is to exclude these customers from special promotions if their RF scores suggested they were actively purchasing. Frequency is often a proxy for monetary value per year since the more products purchased, the higher the overall monetary value. Ultimately it is possible to simplify analysis

by just using recency and frequency. Monetary value can also skew the analysis with high-value initial purchases.

[Mini case study 6.5](#) explains how pet charity PDSA is applying RFM analysis to better understand donation patterns.

Latency

Latency is a powerful concept, closely related to frequency – it is the average time between customer events in the customer lifecycle. Examples include the average time between website visits, second and third purchases and email click-throughs. Online applications of latency include putting in place triggers that alert companies to customer behaviour outside the norm, such as increased interest or disinterest, and then to manage this behaviour using e-communications or traditional communications. For example, if a B2B or B2C organisation with a long interval between purchases found that latency decreased for a particular customer, then they may be investigating an additional purchase via email or website (their recency and frequency would probably increase also). Emails, phone calls or direct mail could then be used to target this person with relevant offers according to what they were searching for.

Latency

The average length of time that different customer types take between different activities, e.g. log-ins, paying bills, first and second purchases.

In this research, to measure customer engagement, Monetate (2017) reviewed their retailer customer data in the UK and US to assess how frequently customers began a new session within a set time period – specifically the number of sessions and the number of days it took for a customer to complete a purchase. For first-time customers, the baseline latency from first visit to purchase is an average of 25 days and 3.5 sessions to complete a purchase. For returning customers who make their second purchase, 32 days are needed, on average, to convert – an additional week compared to the average first-time purchases. Customers returning to make their third purchase need, on average, 27 days to complete their transaction. Practical implications of reviewing latency in retail and other sectors is that businesses can compare latency to length of time to when emails are automatically triggered to encourage a follow-up action such as purchase. You can potentially change the number of emails and frequency by asking how many emails are appropriate in the period,

or to nudge? They can also change on-site personalisation timeframes for recommending next-best product' or 'next-best content' to encourage repeat purchase.

Mini case study 6.5: Charity PDSA refines its understanding of its members using RFM analysis

The context for this case is provided by Robin Prouse, who is the training manager of Apteco Ltd (www.apteco.com), a company that specialises in analytical marketing software. He is in a unique position to understand the difficulties and challenges facing many organisations in making sense of their customer data and has worked with PDSA.

PDSA (www.pdsa.org.uk) is the UK's leading veterinary charity, providing free veterinary care for the sick and injured pets of those unable to afford veterinary fees. The charity, which is entirely funded by public support, operates a UK-wide network of 47 PetAid hospitals and branches and also works through some 348 contracted private veterinary practices. PDSA also operates 180 charity shops UK-wide, but its main income is derived from direct marketing and relationship-building programmes that result in gifts in wills, voluntary donations and trading activities.

The charity uses Discoverer™ for detailed marketing analytics, supporter profiling, database segmentation and predictive modelling. The direct marketing and legacy teams also make extensive use of Discoverer's Cascade module for campaign planning and management.

PDSA holds a huge database of past transactional and promotional histories on nearly 6 million supporters. This dataset is used to report lifetime value, patterns and trends in support, and for the identification of cross-sell and up-sell opportunities. In conjunction with third-party geo-demographic data, Discoverer has been used to build sophisticated legacy propensity models, donor profiles and channel attrition analysis.

As PDSA improves its online presence via its website (www.pdsa.org.uk) and dedicated email marketing campaigns, Discoverer has increasingly been used to monitor and classify donor email addresses. This allows marketers to combine online knowledge with that contained in transactional and operational systems – linking offline lifetime value, demographics and product propensity models with online marketing permissions and click-through analysis.

Hurdle rate

According to Novo (2003), **hurdle rate** refers to the percentage of customers in a group (such as in a segment or on a list) who have completed an action. It is a useful concept since it can be used to compare the engagement of different groups or to set targets to increase engagement with online channels, as the examples below show:

- 20 per cent of customers have visited in the past six months;
- 5 per cent of customers have made three or more purchases this year;
- 60 per cent of registrants have logged onto system this year;
- 30 per cent have clicked through on email this year.

Hurdle rate

The proportion of customers that fall within a particular level of activity. For example, the percentage of members of an email list that click on the email within a 90-day period, or the number of customers that have made a second purchase.

Grouping customers into different RFM categories

In the examples above, each division for recency, frequency and monetary value is placed in an arbitrary position to place a roughly equal number of customers in each group. This approach is also useful since the marketer can set thresholds of value relevant to their understanding of their customers.

RFM analysis involves two techniques for grouping customers:

1 Statistical RFM analysis

This involves placing an equal number of customers in each RFM category using quintiles of 20 per cent (10 deciles can also be used for larger databases), as shown in [Figure 6.17](#). The figure also shows one application of RFM with a view to using communications channels more effectively. Lower-cost digital communications can be used to correspond with customers who use online services more frequently since they prefer these channels, while more expensive offline communications can be used for customers who seem to prefer traditional channels.

2 Arbitrary divisions of customer database

This approach is also useful since the marketer can set thresholds of value relevant to their understanding of their customers.

For example, RFM analysis can be applied for targeting using email according to how a customer interacts with an e-commerce site. Values could be assigned to each customer as follows:

Recency:

1 – Over 12 months

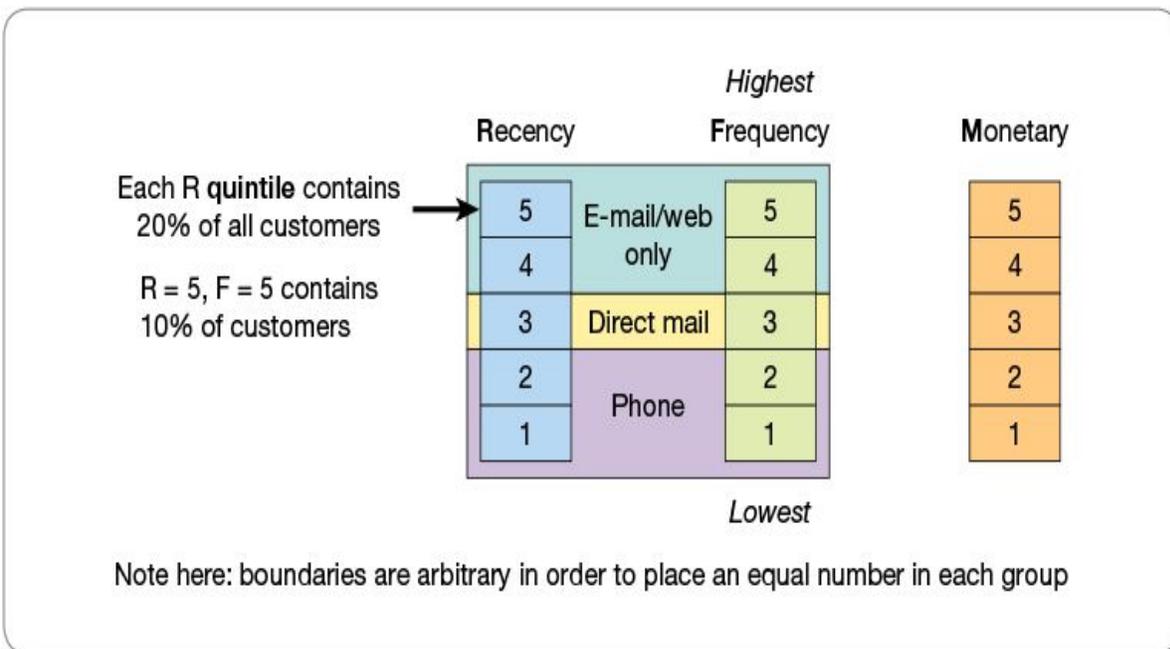
2 – Within last 12 months

- 3 – Within last 6 months
- 4 – Within last 3 months
- 5 – Within last 1 month

Frequency:

- 1 – More than once every 6 months
- 2 – Every 6 months
- 3 – Every 3 months
- 4 – Every 2 months
- 5 – Monthly

Figure 6.17 RFM analysis



Monetary value:

- 1 – Less than £10
- 2 – £10–£50
- 3 – £50–£100
- 4 – £100–£200
- 5 – More than £200

Simplified versions of this analysis can be created to make it more manageable – for example, a theatre group uses these nine categories for its direct marketing:

Oncers (attended theatre once):

- attended 6–12 months
- attended >12 but < 36 months
- Very rusty oncer – attended in 36+ months

Twicers:

- attended 6–12 months
- attended >12 but < 36 months
- Very rusty twicer – attended in 36+ months

2+ subscribers:

- Current subscribers – booked 2+ events in current season
- booked 2+ last season
- booked 2+ more than a season ago

Plotting customer numbers against recency and frequency in this way for an online company gives a great visual indication of the health of the business and groups that can be targeted to encourage more repeat purchases.

Product recommendations and propensity modelling

Propensity modelling is one name given to the approach of evaluating customer characteristics and behaviour, in particular previous products or services purchased, and then making recommendations for the next suitable product. However, it is best known as recommending the ‘next-best product’ to existing customers. It is now more common to use machine learning or Artificial Intelligence to assess propensity than to use the more rigid assignments of RFM. However, we retain the RFM concept and examples since it is a useful technique for assessing customer behaviour and value.

Propensity modelling

The approach of evaluating customer characteristics and behaviour and then making recommendations for future products.

A related acquisition approach is to target potential customers with similar characteristics through renting direct mail or email lists or advertising online in similar locations.

The following recommendations are based on those in van Duyne *et al.* (2003):

1. **Create automatic product relationships (i.e. next-best product).** A low-tech approach to this is, for each product, to group together products previously purchased together. Then for each product, rank product by number of times purchased together to find relationships.
2. **Cordon off and minimise the ‘real estate’ devoted to related products.** An area of screen should be reserved for ‘next-best product prompts’ for up-selling and cross-selling. However, if these can be made part of the current product they may be more effective.
3. **Use familiar ‘trigger words’.** That is, familiar from using other sites such as Amazon. Such phrases include: ‘Related products’, ‘Your recommendations’, ‘Similar’, ‘Customers who bought ...’, ‘Top 3 related products’.
4. **Editorialise about related products.** That is, within copy about a product.
5. Allow quick purchase of related products.
6. **Sell related products during checkout.** And also on post-transaction pages, i.e. after one item has been added to the basket or purchased.

Case study 6: Dell gets closer to its customers through its social media strategy

Dell is well known as a technology company, offering a broad range of product categories including desktop computer systems, storage, servers and networking products, mobility products, software and peripherals, and services to manage IT infrastructure for large organisations.

Dell business strategy

Dell’s vision is to ‘strive to provide the best possible customer experience by offering: superior value; high-quality, relevant technology; customised systems; superior service and support; and differentiated products and services that are easy to buy and use’.

The core elements of the strategy that are evident in Dell’s marketing communications are:

- *We simplify information technology for customers.* Making quality personal computers, servers, storage and services affordable is Dell’s legacy. We are focused on making information technology affordable for millions of customers around the world. As a result of our direct relationships with customers, or ‘customer intimacy’, we are best-positioned to simplify how customers implement and maintain information technology and deliver hardware, services and software solutions tailored for their businesses and homes.
- *We offer customers choice.* Customers can purchase systems and services from Dell via telephone, kiosks and our website, www.dell.com, where they may review, configure and price systems within our entire product line, order systems online and track orders from manufacturing through shipping. We have recently launched a retail initiative and plan

to expand that initiative by adding new distribution channels to reach additional consumers and small businesses through retail partners and value-added resellers globally.

- *Customers can purchase custom-built products and custom-tailored services.* Historically, our flexible, build-to-order manufacturing process enabled us to turn over inventory every five days on average, thereby reducing inventory levels and rapidly bringing the latest technology to our customers. The market and our competition has evolved and we are now exploring the utilisation of original design manufacturers and new distribution strategies to better meet customer needs and reduce product cycle times. Our goal is to introduce the latest relevant technology more quickly and to rapidly pass on component cost savings to a broader set of our customers worldwide.
- *We are committed to being environmentally responsible in all areas of our business.* We have built environmental consideration into every stage of the Dell product lifecycle – from developing and designing energy-efficient products, to reducing the footprint of our manufacturing and operations, to customer use and product recovery.

Dell's sales and marketing

Dell sells products and services directly to customers through dedicated sales representatives, telephone-based sales and online at www.dell.com. Customer segments include large corporate, government, healthcare and education accounts, as well as small-to-medium businesses and individual consumers.

Dell stresses the importance of its direct business model in providing direct and continuous feedback from customers, thereby allowing products and marketing programmes to be developed and refined for specific customer groups.

In its SEC filing, Dell emphasises how it listens to customers to develop relevant innovative technology and services they trust and value. Evidence for using the participative nature of Web 2.0 is that customers can offer suggestions for current and future Dell products, services and operations on an interactive portion of the Dell website called Dell IdeaStorm. It says: 'This constant flow of communication, which is unique to our direct business model, also allows us to rapidly gauge customer satisfaction and target new or existing products.'

For large business and institutional customers, Dell maintains a field sales force throughout the world. Dedicated account teams, which include field-based system engineers and consultants, form long-term relationships to provide our largest customers with a single source of assistance and develop specific tailored solutions for these customers. Dell also maintains specific sales and marketing programmes targeted at federal, state and local governmental agencies as well as specific healthcare and educational markets.

Dell Premier

For its large organisational customers, Dell offers Premier (www.dell.com/learn/us/en/04/premier), which is a secure, customisable procurement and support site or extranet designed to save organisations time and money through all phases of IT product ownership. The main benefits of Dell Premier are described as:

- **Easy ordering:** a custom online store ensures access to your products at your price.
- **Easy tracking:** view real-time order status, online invoices and purchase history details.
- **Easy control:** custom access groups define what users can see and do within Premier.

Marketing communications

Dell markets its products and services to small-to-medium businesses and consumers primarily by advertising on television and the Internet, advertising in a variety of print media and by mailing a broad range of direct marketing publications, such as promotional pieces, catalogues and customer newsletters. In certain locations Dell also operates stores or kiosks, typically located within shopping centres, that allow customers to view its products in person and purchase online with the assistance of a Dell expert.

Dell online communications

The management of the consumer site was presented to Econsultancy (2008). Dell has a three-stage order funnel:

- marketing communications execution measured by site visits;
- site merchandising measured by consideration % (site visits to e-store visits);
- store merchandising measured by conversion % (e-store visits to e-receipts).

The presenter explained how Dell aims to understand and act on customer behaviour based on identification of a series of consideration drivers: the quality of online advertising; path quality through site; merchandising/offers – and conversion drivers: configurator ‘ease of use’; accessibility of decision support tools; and consistency of message through the entire path.

Dell will invest in strategic improvements to the site to improve these levers – examples mentioned included new merchandising approaches such as customer ratings and reviews, videos and major ‘path’ or customer journey changes created through decision support tools to ‘Help me choose’. There are also more tactical initiatives to help deliver the right message to each customer including customisation/personalisation, real estate optimisation and message balancing.

More tactical persuasion of site visitors is based on price moves/optimised price position to market and the mix of product features. A wide range of different offers need to be managed. Tactical promotions, which are driven by promotional ‘end dates’ that are weekly or bi-weekly, include varying:

- free shipping;
- money-off discounts;
- free upgrades (e.g. additional memory);
- free accessories;
- finance offers;
- service upgrades.

The presenter also noted how, across Europe, the promotional mix has to vary to reflect the differences in buying psychology. He summarised the main differences between customers as follows:

- UK – all about price;
- CH – add value over price;
- DE – all about high-end products in mix;
- IT – design is important(!);
- DK – cheap is good;

- NO – added value is key;
- FR – tailored for France.

Dell's use of digital media channels

The main digital media channels used by Dell.com in Europe are:

- Paid search through programmes such as Google Ads, which are used to promote value through time-limited offers related to the phrase searched upon. For example, a Google search for 'cheapest Dell' displays an ad: 'Discount Dell Laptops www.dell.co.uk/laptop – Save up to £300 on selected Dell Laptops from £329. Buy online now!'
- Display advertising – for example, advertising on technology websites – is particularly important for the corporate market.
- Affiliate marketing – used to protect the Dell brand by enabling affiliates to bid on terms such as 'Dell laptops' and to target niche audiences such as owners of gaming machines.
- Email marketing – an e-newsletter is used to keep in touch with existing customers and deliver targeted offers when their hardware may be renewed.

How Dell use social media marketing

Cory Edwards, director of social media and reputation team (SMART) at Dell, has explained Dell's approach to social media marketing. He stresses the importance of commitment from senior managers, which is exemplified for Dell by CEO Michael Dell, who frequently emphasises the importance of social media marketing to Dell. Edwards (2011) contains this quote from Michael Dell:

Engaging in honest, direct conversations with customers and stakeholders is a part of who we are, who we've always been. The social web amplifies our opportunity to listen and learn and invest ourselves in a two-way dialogue, enabling us to become a better company with more to offer the people who depend on us.

Edwards simply says, 'If content is king, then listening is queen'.

As an indication of the importance of social media listening to Dell, Dell has created a Social Media Listening Command Centre, which has six wall monitors tracking what Dell's most influential customers are saying, trending topics relating to Dell, market performance including share of voice and ratings of sentiment expressed about Dell. Around 25,000 posts in 11 languages are monitored daily by Dell's 'Ground Control Team'.

Dell has a social media governance workflow that reviews the potential importance of these customer comments and identifies those it is worth following up. The Ground Control Team is tightly integrated with the @Dell-Cares Twitter team who engage around 1,000 customers per week. Their role is to reach out to people complaining about Dell on Twitter. Edwards notes that the team has a 30 per cent rate of converting ranters to ravers.

As well as responding to negative mentions as part of customer service, Dell has created an Online Influencer Relations Program. This is managed by identifying influencers across business unit, region or topic area. Key influencers are identified using a conversation tracker, which is part of Dell's social media listening tool Radian 6. Influencers are provided with content and products that they may review or share. Dell has gone beyond virtual relationships, introducing Dell Customer Advisory Panel (CAP), which Edwards describes as 'a ranters and ravers event'. Invitees are prioritised based on size of social media reach and their affinity with Dell.

Relationship owners are designated and involved with ongoing efforts to build advocates. Within CAP days, Dell not only listens, but gives feedback on how problems are addressed. For example, Dell heard that there were too many dropped calls and unnecessary transfers, so it explained how ePhone CRM software is being launched across sites, which will improve reporting capability to track telecom issues and queue mergers to eliminate certain types of transfer.

The reputation management we have described is only part of the social media marketing activities. If we review these activities according to the RACE framework ([Chapter 1](#)), we can see that Dell is involved in social media marketing activities across the customer lifecycle:

- **Reach:** Research, network and advertise to reach and interact with customers and prospects on the social outposts, communities and blogs relevant to your audience.
- **(Inter) Act:** This involves determining your goals and then working out the engagement tools that will encourage your customers to interact and will inspire them. Dell has clear goals around a number of financial and non-financial measures. They look at measures including operational savings through paid search and support savings and boosting customer loyalty measured through the Net Promoter Score.

When customers interact with Dell, their experiences are shared via their social graph of followers or fans, so there is this viral effect that helps customer acquisition.

- **Convert:** Here Dell is trying to leverage initial interaction to go through into real value of leads or sales. At a practical level, Dell has a clearance channel, Dell Outlet, that it uses to sell through Twitter. It may also offer promotional coupons through social media such as Groupon or deals sites to encourage sales.
- **Engage:** This is the big challenge with social media: how to keep customers engaged. For Dell, engagement occurs on several platforms, but in particular within community forums, which are user-to-user support postings where topics range from support to pre-purchase or enthusiast discussions. There are millions of members with tens of thousands of discussions and accepted solutions each week. The Direct-2Dell Network is also used for B2B customers, with separate blogs for Enterprise IT, Small Business, Education, Investors, etc. They encourage guest influencers to join the discussion. Finally, another big part of engagement for Dell is IdeaStorm – one of the best examples of crowdsourcing through social media, which encourages ideas, feedback, innovation and dialogue. Over tens of thousands of ideas have been generated, with around 100,000 comments added, and a viral effect occurring through a Facebook app. Only several hundred ideas have been implemented, but the secret is that Dell closes the loop by feeding back to customers what has worked and what hasn't.

Source: 2011 SEC Filing Econsultancy (2008); Dell case study; Online Marketing Masterclass, presented at the Royal Institute of British Architects, November 2008. Edwards (2011); Tackling corporate reputation with social media, presentation by Cory Edwards, director of social media and reputation team (SMART) February 2011, available to view online at www.slideshare.net/KerryatDell/dell-social-media-nma-event-london-v2-feb-2011; See also: www.slideshare.net/KerryatDell/dells-social-media-journey-econsultancy-masterclasses-november-2009; <http://content.dell.com/us/en/corp/our-story-company-timeline.aspx>

Question

Describe approaches used by Dell within its site design and promotion to deliver relevant offers for different types of online customers.

Summary

1. CRM enables ‘sense and respond’ communications, where personalised emails or web-based messages can be delivered based on disclosed or inferred customers’ preferences stored as customer profiles.
2. CRM also involves management of online services to deliver customer service that is aimed at improving brand loyalty.
3. The classic model for permission marketing to support e-CRM is:
 - Step 1 – attract customers to website, partner microsite or social presence such as Facebook.
 - Step 2a – incentivise in order to gain contact and profile information.
 - Step 2b – capture customer information to maintain the relationship and profile the customer.
 - Step 3 – maintain dialogue through using online communications to achieve repeat site visits.
 - Step 4 – maintain dialogue consistent with customer’s profile using email, social media messaging or, where cost-effective, direct mail or outbound phone contact.
4. Personalisation technologies enable customised emails (or direct mails) to be sent to each individual (or related groups) and customised web content to be displayed or distributed using push technology. Increasingly, machine learning Artificial Intelligence is used to deliver more relevant messages compared to rules-based approaches.
5. CRM also involves review of customer advocacy through techniques such as Net Promoter Score (NPS) and development of programmes to encourage customer advocacy.
6. The development of online communities through social networks, particularly Facebook company pages and LinkedIn groups or independent communities linked to the company site, is a key part of social CRM.
7. Development of an independent customer community may give additional benefits since the community will be more aligned with company goals and customer brand experience.
8. Management of customer value through customer lifetime value and recency–frequency–monetary (RFM value analysis) is a core technique for

targeting marketing programmes at customers who will generate the most future value for an organisation.

Exercises

Self-assessment exercises

1. Why are digital platforms so suitable for relationship marketing?
2. Explain 'personalisation' in a digital marketing context.
3. What is meant by 'customer profiling'?
4. What are the options for using Artificial Intelligence to improve marketing communications?
5. How can customer concerns about privacy be responded to when conducting one-to-one marketing using digital communications?
6. Choose an e-commerce sector, e.g. retail, travel or financial services, to explain why different types of automated contact strategies are important.
7. Explain the concept and applications of RFM analysis to different types of web presence.
8. Explain the concept and applications of lifetime analysis.

Essay and discussion questions

1. Explain the factors that influence the development of multichannel customer contact strategies.
2. Explain how customer lifetime value analysis can be applied to improve all aspects of the customer lifecycle.
3. Explore the options, success factors and barriers to delivering Artificial Intelligence and Big Data applications for marketing.
4. Explore the legal and ethical constraints on implementing relationship marketing using digital media.

Examination questions

1. Define and explain the scope and applications of CRM.
2. Explain and evaluate the relevance of six applications of Artificial Intelligence for supporting communications in different parts of the customer lifecycle.
3. Suggest how an organisation could review its CRM capabilities.

4. Explain the benefits to businesses of creating virtual communities and how such communities can be used as part of relationship marketing.
5. Suggest three measures a company can take to ensure that a customer's privacy is not infringed when conducting one-to-one marketing.
6. Explain how digital media can support customer advocacy. Suggest how advocacy can be proactively managed.
7. What is a digital contact strategy? Which success factors will make the contact strategies more effective?
8. Explore opportunities and methods for personalising the interactive web session and adding value for that individual customer.

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Weblinks

- **ClickZ (www.clickz.com)**. An excellent collection of articles on online marketing communications, US-focused. Relevant section for this chapter: CRM strategies.

- **CRM Today (www.crm2day.com)**. A portal with articles about the practical aspects of deploying CRM technology.
- **Database Marketing Institute (www.dbmarketing.com)**. Useful collection of articles on best practice.
- **Dataversity (www.dataversity.net)**. An aggregator site for articles discussing Big Data.
- **Infoworld (www.infoworld.com/category/big-data/)**. Resources on the latest developments in Big Data.
- **Jim Novo (www.jimnovo.com)**. A site by a US consultant that has a lot of detail on techniques to profile and target customers online.
- **MyCustomer (www.mycustomer.com)**. Articles about the principles and technology of customer relationship management.
- **Net Promoter Score blog (http://netpromoter.typepad.com/fred_reichheld)**. Multi-author blog and forum discussing the practicalities of implementing NPS.
- **Peppers and Rogers One-to-One Marketing Website (www.1to1.com)**. A site containing a lot of information on the techniques and tools of relationship marketing.

Part 3

Digital marketing: implementation and practice



In [Part 3](#), practical success factors for implementing and managing digital marketing strategy are described, including website and app development to ensure a quality customer experience ([Chapter 7](#)), marketing communications to promote a site ([Chapters 8 and 9](#)) and the evaluation of company digital presences ([Chapter 10](#)).

7 Delivering the digital customer experience

- [Planning websites, app design and redesign projects](#)
- [Initiation of a digital experience project](#)
- [Defining site or app requirements](#)

- Designing the user experience
- Managing and testing content
- Online retail merchandising
- Site promotion or ‘traffic building’
- The impact of service quality on e-loyalty

8 Campaign planning for digital media

- The characteristics of digital media
- Step 1. Goal setting and tracking for interactive marketing communications
- Step 2. Campaign insight
- Step 3. Segmentation and targeting
- Step 4. Offer, message development and creative
- Step 5. Budgeting and selecting the digital media mix
- Step 6. Integration into overall media schedule or plan

9 Marketing communications using digital media channels

- Search engine marketing
- Online public relations and influencer relationship management
- Online partnerships including affiliate marketing
- Interactive display advertising
- Opt-in email marketing and mobile messaging
- Social media and viral marketing
- Offline promotion techniques

10 Evaluation and improvement of digital channel performance

- Performance management for digital channels
- Content management process
- Responsibilities for customer experience and site management

Chapter 7

Delivering the digital customer experience

Chapter at a glance

Main topics

- Planning websites, app design and redesign projects
- Initiation of a digital experience project
- Defining site or app requirements
- Designing the user experience
- Managing and testing content
- Online retail merchandising
- Site promotion or ‘traffic building’
- The impact of service quality on e-loyalty

Case study

Case study 7: Refining the online customer experience at i-to-i.com

Learning objectives

After reading this chapter, you should be able to:

- Define the success factors that contribute to an effective digital experience delivered as a website, mobile app or, where relevant, in-store, virtual or augmented reality
- Describe the different stages and techniques needed to create an effective website, mobile app or social media presence and to optimise its performance
- Assess the strengths and weaknesses of different service quality and e-loyalty frameworks.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- Which activities are involved in creating or redeveloping effective mobile and desktop experiences?
- What are the key factors of online service quality, site and app design that will help our goals of customer acquisition and retention?
- Which techniques can I use to determine visitors' requirements and whether they are met?
- How should I integrate the different forms of online presence?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 2](#) explains the technique of persona development, which is used to inform the creation of a digital experience.
- [Chapters 4 and 5](#) describe the development of the strategy and tactics that inform online experiences.
- [Chapters 8 and 9](#) describe approaches to promoting websites.
- [Chapter 10](#) describes the analysis of digital customer experience and its maintenance.

Introduction

Managing the **digital customer experience** for a brand used to be relatively straightforward: businesses simply had a website and an email newsletter alongside offline channels to sale. Today, the picture is far more complex, with the combination of digital touchpoints where marketers seek to influence consumers stretching across paid, earned and owned media on different devices. Consider the customer-facing touchpoints of a brand's digital experience. These can include a desktop or mobile-optimised site, mobile apps, company pages on social media, emails, connected devices and the Internet of Things (IoT), which we explore towards the end of this chapter. For multichannel retailers, the digital experience also includes providing digital devices in-store, including augmented reality.

Digital customer experience

A brand's total digital experience includes a brand's presence on different platforms including desktop website, mobile site and apps, ads on gaming platforms and digital in-store. The quality of digital experience is based on the combination of rational and emotional factors of using a company's online services that influences customers' perceptions of a brand online.

Company pages on social media today have a strong visual, interactive emphasis, such as Facebook or Twitter (text updates, video and image posts plus lead generation cards), LinkedIn (company pages and groups), YouTube (branded video channels) and Instagram and Pinterest (image emphasis). Most companies seek to maintain a presence across all seven of these networks, although LinkedIn may be limited to careers. Even within offline channels, digital devices are being used to supplement the digital experience, as shown in [Mini case study 7.1](#) on NFC in-store integration. For example, Debenhams, a leading UK retail adopter of mobile, shared this retrospective of their mobile development over the last two years or so. Speaking at a Mobile Marketing conference, Debenhams' mobile marketing manager, Sarah Bailie, explained:

Integrating online in store should be top priority for all multichannel retailers looking to create an experiential and destination shopping experience. Debenhams' most valuable customers engage with the brand via multiple channels.

Mini Case Study 7.1: CloudTags integrates in-store digital experiences with the Internet of Things

CloudTags (www.connectedstore.com) worked with a number of retailers to create an innovative, omni-channel experience using mobile devices and NFC technology. The retailers, among them Harvey Nichols and MADE (an online furniture retailer), have been putting tablet computers in stores for consumers to pick up and use. The customer simply enters their email address, which creates a customer profile, and by interacting with physical products via tapping on NFC icons in store they get rich, in-depth product content such as images, videos and recommendations. There is also a separate tool that allows users to send details of the products to the inbox.

If assisted by staff, the store is able to track and attribute activity online (should the user go home and purchase) so the original salesperson is included in the credit for the sale.

Results

Harvey Nichols found that 90 per cent of shoppers engaged in-store were not previously known to them; 16 per cent of all shoppers engaged with the experience and 18 per cent took further action after receiving an email.

MADE also used the technology at its Notting Hill showroom (Figure 7.1): 21 per cent of consumers opted to have their in-store collections sent to their inbox; 41 per cent went on to browse products online; and over the course of the trial the average order value increased 15 per cent.

This example shows how, today, consumers are happy to interact with a company using technology. Ease of purchase, good customer experience and strong engagement are moving beyond attractive extras and are becoming standard expectations.

Figure 7.1 CloudTags tablets used to assist the in-store digital experience



Creating effective digital experiences

Given the popularity of digital devices for finding out about brands and services, improving the capability to create and maintain these effective online brand presences is a key part of digital marketing. In the introduction we have described the range of different types of digital devices that offer digital interactions between a brand and its audience. For most businesses, the majority of interactions still occur on desktop and mobile-optimised websites and mobile apps, so this is where we focus in this chapter.

‘Effective’ means that the presence must deliver relevance and a satisfactory digital customer experience for its audience. At the end of the chapter we will consider frameworks such as WEBQUAL and E-SERVQUAL for assessing different elements of service quality that can be applied to digital communications.

‘Effective’ also means the presence must support and add value to the brand to deliver results for the company. **Conversion rate optimisation (CRO)** is increasingly being used by companies to improve the commercial contribution of online presence to a business, as the [Mini case study 7.4](#) on Jack Wills later in this chapter shows.

Conversion rate optimisation (CRO)

Improving the commercial returns from a transactional site through increasing conversion to key goals such as sales, quotes, bookings or leads. CRO combines customer and competitor research with evaluation of customer behaviour using web analytics and AB and multivariate testing (see [Chapter 10](#) for details).

In this chapter, we will explore different success factors and practical actions that companies can take to create and maintain satisfactory online experiences, both for the customer and business. An indication of the need to produce a customer-centric online presence is given by Alison Lancaster, at the time the head of marketing and catalogues at John Lewis Direct and then marketing director at Charles Tyrwhitt™ (www.ctshirts.co.uk), who said:

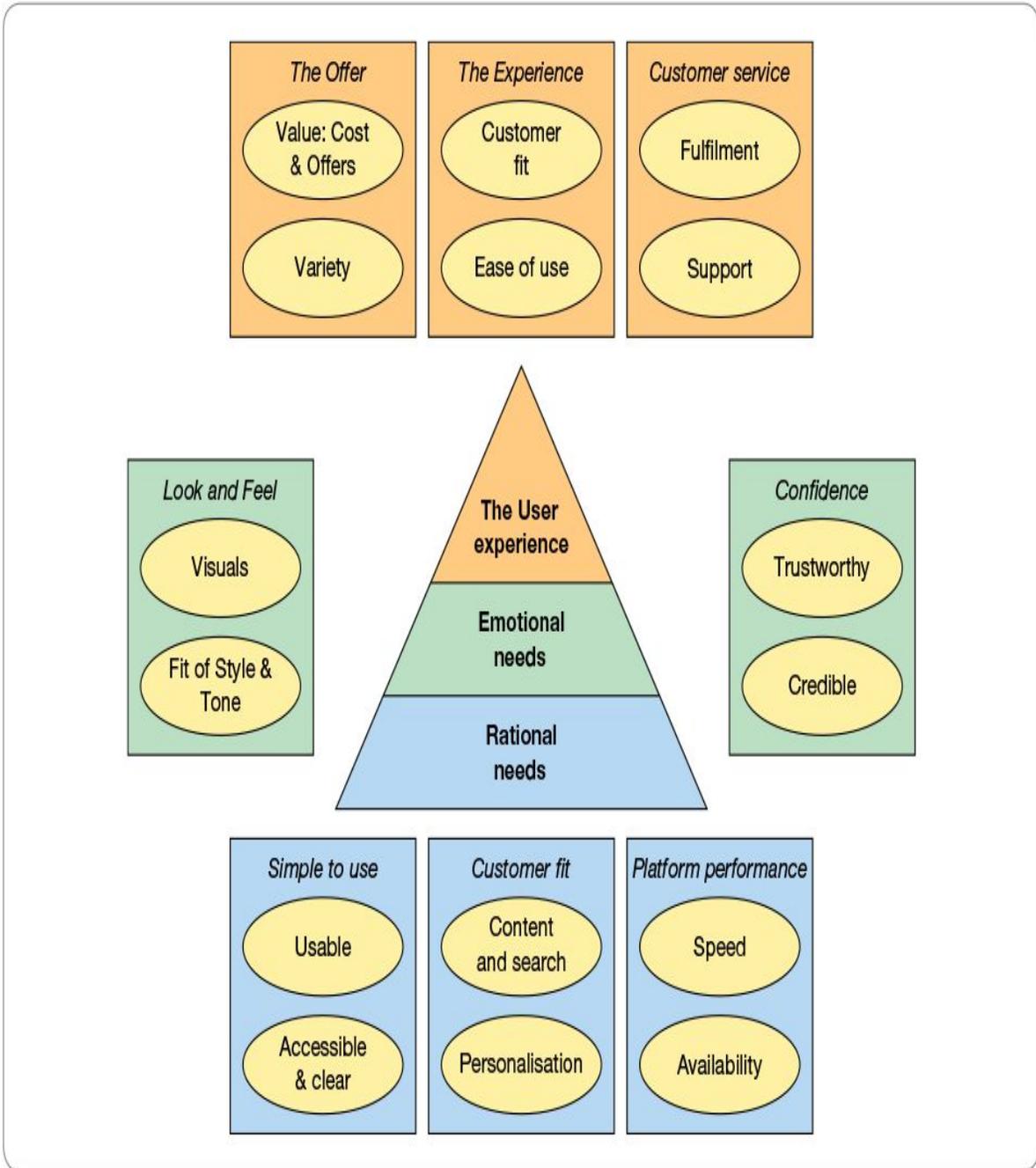
A good site should always begin with the user. Understand who the customer is, how they use the channel to shop, and understand how the marketplace works in that category. This includes understanding who your competitors are and how they operate online. You need continuous research, feedback and usability testing to continue to monitor and evolve

the customer experience online. Customers want convenience and ease of ordering. They want a site that is quick to download, well-structured and easy to navigate.

You can see that creating effective online experiences is a challenge since there are many practical issues to consider, which we present in [Figure 7.2](#). This is based on a diagram by de Chernatony (2001), who suggested that delivering the online experience promised by a brand requires delivering rational values, emotional values and promised experience (based on rational and emotional values). The factors that influence the online customer experience can be presented in a pyramid form of success factors, as is shown in [Figure 7.2](#) (the different success factors reflect current best practice and differ from those of de Chernatony). The diagram also highlights the importance of delivering service-quality online, which we explore more at the end of this chapter. More recently, Christodoulides *et al.* (2006) have tested the importance of a range of indicators of online brand equity for online retail and service companies. This analysis was performed across five dimensions of brand equity, assessed by asking the questions below – they provide an excellent framework that can be applied to assess and benchmark the quality of brand experience for different types of website:

1. Emotional connection
 - Q1*: I feel related to the type of people who are [X]’s customers.
 - Q2*: I feel as though [X] actually cares about me.
 - Q3*: I feel as though [X] really understands me.
2. Online experience
 - Q4*: [X]’s website provides easy-to-follow search paths.
 - Q5*: I never feel lost when navigating through [X]’s website.
 - Q6*: I was able to obtain the information I wanted without any delay.
3. Responsive service nature
 - Q7*: [X] is willing and ready to respond to customer needs.
 - Q8*: [X]’s website gives visitors the opportunity to ‘talk back’ to [X].
4. Trust
 - Q9*: I trust [X] to keep my personal information safe.
 - Q10*: I feel safe in my transactions with [X].
5. Fulfilment
 - Q11*: I got what I ordered from [X]’s website.
6. *Q12*: The product was delivered in the time promised by [X].

Figure 7.2 The online customer experience pyramid – success factors



WEBQUAL is a similar framework for e-commerce sites covering 14 dimensions across four broad areas of ease of use, ease of information gathering, ease of transactions and entertainment value (Loiacono *et al.*, 2000, 2007). We detail these and cite alternative frameworks such as SITEQUAL at the end of the chapter.

Consider how these elements of effective online brand experience might differ today. Differences could include support for interactions with other customers,

including rating of content or products, support for different digital devices and integration with other online and offline channels. More recent research into assessing company digital capabilities in the context of **customer experience management (CXM)** is limited. Klaus (2014) notes that ‘there remains a need for both theoretical and conceptual development, and empirical research to determine which digital CX strategies and practices have the most positive influence on organisational performance’. He identifies three levels of company approach to CXM: Preservers, Transformers and Vanguard. He categorises Vanguard as having a ‘clear strategic model of CX management impacting all areas of the organisation, and developing commensurate business processes and practices to ensure its effective implementation. While Transformers merely acknowledge the broad-based challenges of CX management, Vanguard integrate functions and customer touchpoints to ensure consistency of the desired customer experiences across their own business’.

Customer experience management (CXM)

A holistic approach to managing customer experience and customer engagement across digital and non-digital touchpoints including web, mobile and social digital platforms, in store and by call centres.

Figure 7.2 incorporates many of the factors that are relevant for a transactional e-retail site, such as price and promotions, which together form **web merchandising** (see the end of the chapter), but you can see that many of the rational and emotional values are important to any website. You may not be familiar with some of the terms, such as ‘usability’ and ‘accessibility’ (which are delivered through an effective website design), but these will all be explained later in this chapter.

Web merchandising

The aim of web merchandising is to maximise the sales potential of an online store for each visitor. This means connecting the right products with the right offer to the right visitor, and remembering that the online store is part of a broader experience including online and offline advertising, in-store visits, customer service and delivery.

In Figure 7.2 these factors are all associated with using the website, but the online customer experience extends beyond this, so effective designs are based on integrating with the entire **customer journey** for different audiences and

different scenarios to achieve the best result. So design of online presence also needs to look at the bigger picture:

- ease of locating the site through search engines ([Chapter 8](#));
- services provided by partners online on other websites;
- quality of outbound communications such as e-newsletters;
- quality of processing inbound email communications from customers;
- integration with offline communications and touchpoints such as store and phone as part of multichannel marketing.

Customer journey

A description of modern multichannel buyer behaviour as consumers use different media to select suppliers, make purchases and gain customer support.

Essential digital skills: Digital experiences and websites

While many people use social media accounts, not all will take the additional time to set up a blog. By creating a blog and updating it occasionally you can learn a lot about the challenges of managing digital experiences.

We recommend you develop these skills:

- **how to explain the purpose and proposition of a website;**
- **how to encourage different forms of audience interaction with a website, e.g. recommended content, social sharing or data capture, e.g. through a contact form;**
- **use analytics tools to understand the path and interactions of visitors to a website.**

Practical ideas to boost employability by showcasing your interests and experiences include:

- **Create a blog using a low-cost platform such as [Wordpress.com](#) or [Tumblr.com](#) and write about an area of marketing or a hobby that interests you.**
- **Apply different themes to the blog to see how cascading style sheets work.**
- **Set up analytics on the blog, e.g. Google Analytics, so you can understand audience interactions with the site.**

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Structure of this chapter

We start the chapter by considering the requirements for a presence that delivers appropriate rational and emotional values. We then look at the processes and stages involved in managing a project to improve the customer experience. Our coverage on website design is integrated with consideration of researching online buyer behaviour, since an appropriate experience can only be delivered if it is consistent with customer behaviour, needs and wants. We then go on to review delivery of service quality online. This includes aspects such as speed and availability of the site itself, which support the rational values, and also fulfilment and support, which are a core part of the promised experience.

Planning website, app design and redesign projects

Despite the growth in social media, the company website, which today must be effective for users accessing via desktop, smartphone and tablet devices, is still at the heart of online communications. For the experience to be effective, a sound process is needed to design, build and refresh the online experience. In the past, it has been a common mistake among those creating a new website for the first time to ‘dive in’ and start creative design and content creation without sufficient forward planning. This is still a risk today, but new website design and build projects for existing businesses are less common, although still needed for new startups, new brands or new campaigns. Instead, what has become more common are website redesigns and relaunches and the continuous approach of conversion rate optimisation. This change in emphasis is illustrated by many larger businesses in the retail sector, which now have teams to continuously boost conversion rates. For example, speaking at Ecommerce Expo in 2014, Gareth Jones, deputy CEO of Shop Direct™, explained how, as part of a programme of digital transformation, they had increased the number of experiments to test improvements to conversion to over 50 per month, with the aspiration to more than double them. He says:

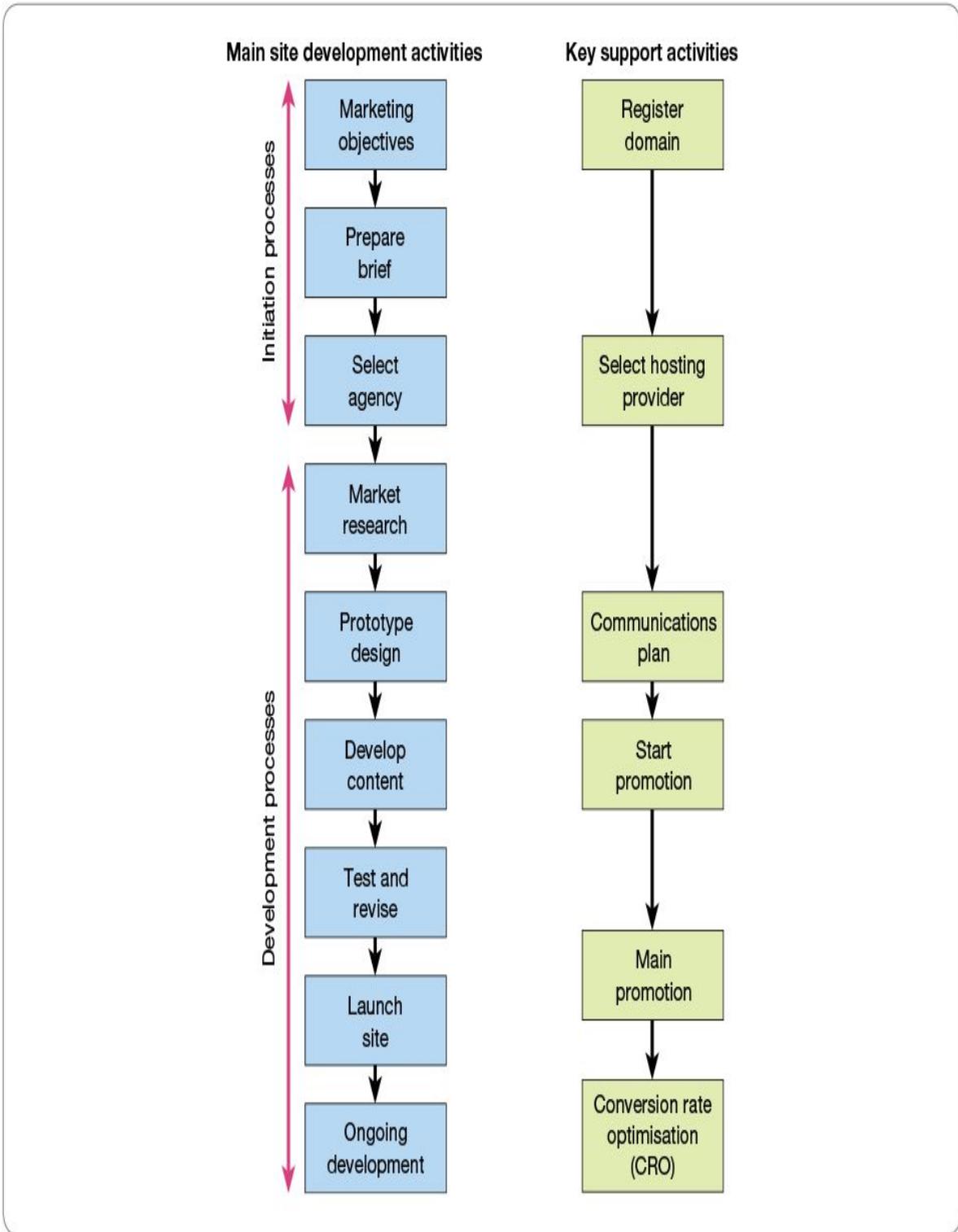
In two years’ time, we’ll have more challengers live in a visit than competitors launch in a year.

He also reported that you need to invest in a range of tests since naturally not all will be successful, with around one-third giving a significant improvement in revenue, one-third failing and one-third neutral.

Regardless of timescale, the design and optimisation process (see [Figure 7.2](#)) involves analysing the needs of owners and users of a site and then deciding on the best way to build the site to fulfil these needs. Without a structured plan and careful design, costly reworking is inevitable, as the first version of a site will not achieve the needs of the end users or the business. Follow [Activity 7.1](#) to think through the problems you have experienced when using a site that does not meet your needs.

The process of website development summarised in [Figure 7.3](#) is idealised because, for efficiency, many of these activities have to occur in parallel. [Figure 7.4](#) gives an indication of the relationship between these tasks, and how long they may take, for a typical website project. We will explain some of the specialist design terminology and the differences between website and app development later in this chapter.

Figure 7.3 Summary of the process of website development



The main development tasks that need to be scheduled as part of the planning process for any digital experience are as follows:

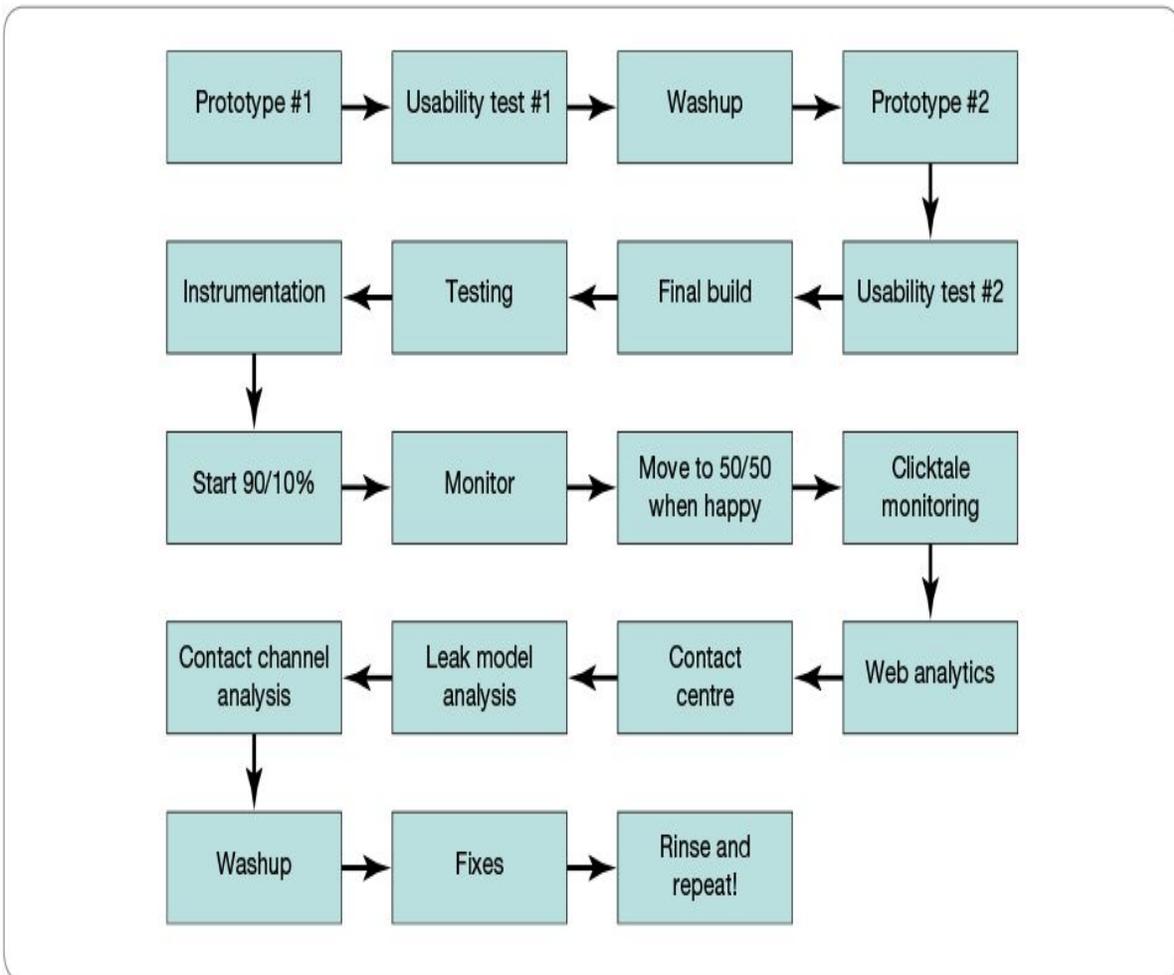
1. **Pre-development tasks.** For a new site or app, these include domain name registration and deciding on the company to host the website. They also include preparing a brief that sets out the aims and objectives of the site, and then – if it is intended to outsource the site – presenting the brief to rival agencies to bid for and pitch their offering.
2. **Discovery, analysis and design.** This is a research phase involving detailed analysis and design of the site, and includes clarification of business objectives, market research to identify the audience and typical customer personas and user journeys and their needs, defining the information architecture of different content types and prototyping different functional and visual designs to support the brand.
3. **Content creation, coding or development and testing.** Developing the site to create prototypes including integration of content management systems, database integration, usability and performance testing.
4. **Publishing or launching the site or improvement.** This is a relatively short stage, involving releases of different versions of an application or website update, shown as labelled in [Digital marketing insight 7.2](#). Often a **soft launch** is used, where the site is updated but the version is not widely communicated until the owners are sure the site is stable. Some site owners such as Google test features with a limited number of users to assess their impact before the features are rolled out more widely.
5. **Pre-launch promotion or communications.** Search engine registration and optimisation is most important for new sites. Although search engines can readily index a new site, they don't give the same level of visibility to new sites (sometimes known as 'the Google sandbox effect'), where the site is effectively on trial until it is established with links from other sites indicating its credibility. Briefing the PR company to publicise the launch is another example of pre-launch promotion.
6. **Ongoing promotion.** The schedule should also allow for promotion after site launch. This might involve structured discount promotions on the site, or competitions that are planned in advance. Many now consider search engine optimisation, content marketing and pay-per-click marketing ([Chapter 9](#)) as a continuous, 'always-on' process, and will often employ a third party to help achieve this.
7. **Ongoing development.** It used to be commonplace for there to be a time gap of several years between major website redesigns involving new layout and typography. Although content relating to products, services and promotions would be updated, the layout of page templates remained static. Increased adoption of CRO, which we described at the start of the

chapter, means that the process of 1 to 5 is repeated between major updates using an agile development process, as explored further in the next section.

Soft launch

A trial version of a site, launched with limited publicity.

Figure 7.4 Iterative approach to improving site effectiveness



Source: Sullivan (2011)

Activity 7.1: What can go wrong without a planned approach to website or app design?

Purpose

To indicate potential problems to customers, partners and staff if the design of an online presence is not carefully planned.

Activity

Make a list of the potential problems related to a poorly planned design that may be faced by customers of an online retailer. Base your answer on problems you have experienced on a website that can be related to planning and implementation of site design.

The answers you identify all define the requirements for a new website design, including relevant content, acceptable performance, renders correctly in browser, findable within search engines (search engine optimisation, or SEO).

It's important to realise that [Figure 7.3](#) is a simplification of real-world optimisation approaches. In reality, iteration of designs using agile development or prototyping is required. Then, once a working version is finalised, it should be tested through user testing and then live testing using CRO including the AB/multivariate testing approaches described in [Chapter 10](#).

Who should be involved in a digital experience project?

The success of a website is dependent on the range of people involved in its development, and how well they work as a team. Typical profiles of team members follow:

- **Site sponsors.** These will be senior managers who will effectively be paying for the system from their budgets. They will understand the strategic benefits of the system and will be keen that the site is implemented successfully to achieve the business objectives they have set.
- **Site owner.** 'Ownership' will typically be the responsibility of a marketing manager or e-commerce manager (see [Digital marketing insight 7.1](#)), who may be devoted full-time to overseeing the site in a large company or it may be part of a marketing manager's remit in a smaller company. In larger companies – for example, UK retail appliances brand [AO.com™](#) – there is a separate team for desktop, mobile and tablet platforms with separate team members covering all these skills.
- **Project manager.** This person is responsible for the planning and coordination of the website project. They will aim to ensure that the site is developed within the budget and time constraints that have been agreed at

the start of the project, and that the site delivers the planned-for benefits for the company and its customers.

- **Site designer.** The site designer will define the ‘look and feel’ of the site, including its styling through cascading style sheets (CSS), layout and how company brand values are transferred to the web.
- **Content developer.** The content developer will write the copy for the website and convert it to a form suitable for the site. In medium or large companies this role may be split between marketing staff or staff from elsewhere in the organisation who write the copy, and a technical member of staff who converts it to the graphics and HTML documents forming the web page and does the programming for interactive content.
- **Webmaster.** This is a technical role. The webmaster is responsible for ensuring the quality of the site. This means achieving suitable availability, speed, working links between pages and connections to company databases. In small companies the webmaster may also take on graphic design and content developer roles.
- **Digital experience analyst or CRO expert.** Familiar with how to analyse digital analytics to identify site effectiveness and how to run conversion rate optimisation experiments (as explained further in [Chapter 10](#)).
- **Stakeholders.** The impact of the website on other members of the organisation should not be underestimated. Internal staff may need to refer to some of the information on the website or use its services.

Digital marketing insight 7.1: Improving site effectiveness

Figure 7.4 defines an iterative approach to improving site effectiveness recommended by Sullivan (2011). At that point Craig Sullivan was e-business manager at Belron, an international windscreen repair service with local country brands such as Autoglass™. He is now an independent consultant. You can hear him explain the increasing importance of user experience and the challenges marketers face when trying to optimise customer experiences, both on- and offline.

Hear Craig speak at: <https://www.youtube.com/watch?v=N1VJVz2JBXY>

While the site sponsor and site owner will work within the company, many organisations outsource the other resources since full-time staff cannot be justified in these roles. There are a range of different choices for outsourcing, which are summarised in [Activity 7.2](#).

We are seeing a gradual blurring between these different types of supplier as they recruit expertise so as to deliver a ‘one-stop shop’ or ‘full-service agency’, but they still tend to be strongest in particular areas. Companies need to decide whether to partner with the ‘best of breed’ in each, or to perhaps compromise and choose the one-stop shop that gives the best balance and is most likely to achieve integration across different marketing activities – this would arguably be the new media agency, or perhaps a traditional marketing agency that has an established new media division. Which approach do you think is best?

Observation of the practice of outsourcing suggests that two conflicting patterns are evident:

- **Outside-in.** A company often starts using new digital marketing technologies by outsourcing some activities where there is insufficient in-house expertise. The company then builds up skills internally to manage these areas as digital marketing becomes an important contributor to the business. An outside-in approach will probably be driven by the need to reduce the costs of outsourcing, poor delivery of services by the supplier or simply a need to concentrate resources for a strategic core competence in-house.
- **Inside-out.** A company starts to implement digital marketing using existing resources within the IT department and marketing department in conjunction with recruitment of digital media specialists. They may then find that there are problems in developing a site that meets customers’ needs or in building traffic to the site. At this point they may turn to outsourcing to solve the problems.

These approaches are not mutually exclusive and an outside-in approach may be used for some activities, such as SEO or content development, while an inside-out approach is used for other functions such as site promotion.

Activity 7.2: Options for outsourcing different digital marketing activities

Purpose

To highlight the outsourcing available for digital marketing and to gain an appreciation of how to choose suppliers.

Activity

A B2C company is trying to decide which of its e-business activities it should outsource. Select a single supplier that you think can best deliver each of these services indicated in Table 7.1. Justify your decision.

Table 7.1 Options for outsourcing different digital marketing activities

Digital marketing function	Traditional marketing agency	Digital marketing agency	Traditional IT supplier	Management consultants
1 Strategy				
2 Design				
3 Content and service development				
4 Online promotion				
5 Offline promotion				
6 Infrastructure				

Prototyping

Prototypes are trial versions of an entire website or a part of the site being refined that are gradually refined through an iterative process to become closer to the final version. Initial prototypes or ‘mockups’ may simply be paper prototypes or storyboards, perhaps of a ‘**wireframe**’ or screen layout. These may then be extended to include visuals of key static pages. Finally, working prototypes will be produced as HTML code is developed. The idea is that the design agency or development team and the marketing staff who commissioned the work can review and comment on prototypes, and changes can then be made to the site to incorporate these comments. Prototyping should result in a more effective final site that can be developed more rapidly than a more traditional approach with a long period of requirements determination.

Prototype

A preliminary version of part, or a framework of all, of a website, which can be reviewed by its target audience or the marketing team. Prototyping is an iterative process in which

website users suggest modifications before further prototypes and the final version of the site are developed.

Wireframe

A simplified outline of a single-page template used to define new layout or functionality for part of a website for discussion, iteration and then a brief for implementation.

Each iteration of the prototype typically passes through the stages shown in [Figure 7.5](#), which are:

1. **Discovery or analysis.** Understanding the requirements of the audience of the site and the requirements of the business, defined by business and marketing strategy (and comments input from previous prototypes).
2. **Design.** Specifying different features of the site that will fulfil the requirements of the users and the business as identified during analysis.
3. **Develop.** The creation of the web pages and the dynamic content of the website.
4. **Test and review.** Structured checks conducted to ensure that different aspects of the site meet the original requirements and work correctly.

Agile software development

Today, the concept of prototyping has been extended across the whole lifecycle for developing website functionality or software applications, where it is known as **agile software development**. The goal of agile development is to be able to create stable releases more frequently than traditional development methodologies, i.e. new functionality will be introduced through several releases each month rather than a more significant release every few weeks, months or even years. The approach is sometimes known as ‘permanent beta’. Another difference with agile development is the emphasis on face-to-face communication to define requirements rather than detailed requirements specifications.

Agile software development

An iterative approach to developing software and website functionality with the emphasis on face-to-face communications to elicit, define and test requirements. Each iteration is effectively a mini-software project including stages of planning, requirements analysis, design, coding, testing and documentation.

Scrum is a methodology that supports agile software development. Scrum involves stakeholders including the *scrum master*, who is effectively a project manager, the *product owner*, who represents the stakeholders such as the business owners and customers, and the *scrum team*, which includes the developers.

Scrum

Scrum is a methodology that supports agile software development based on 15–30-day sprints to implement features from a product backlog. ‘Scrum’ refers to a daily project status meeting during the sprint.

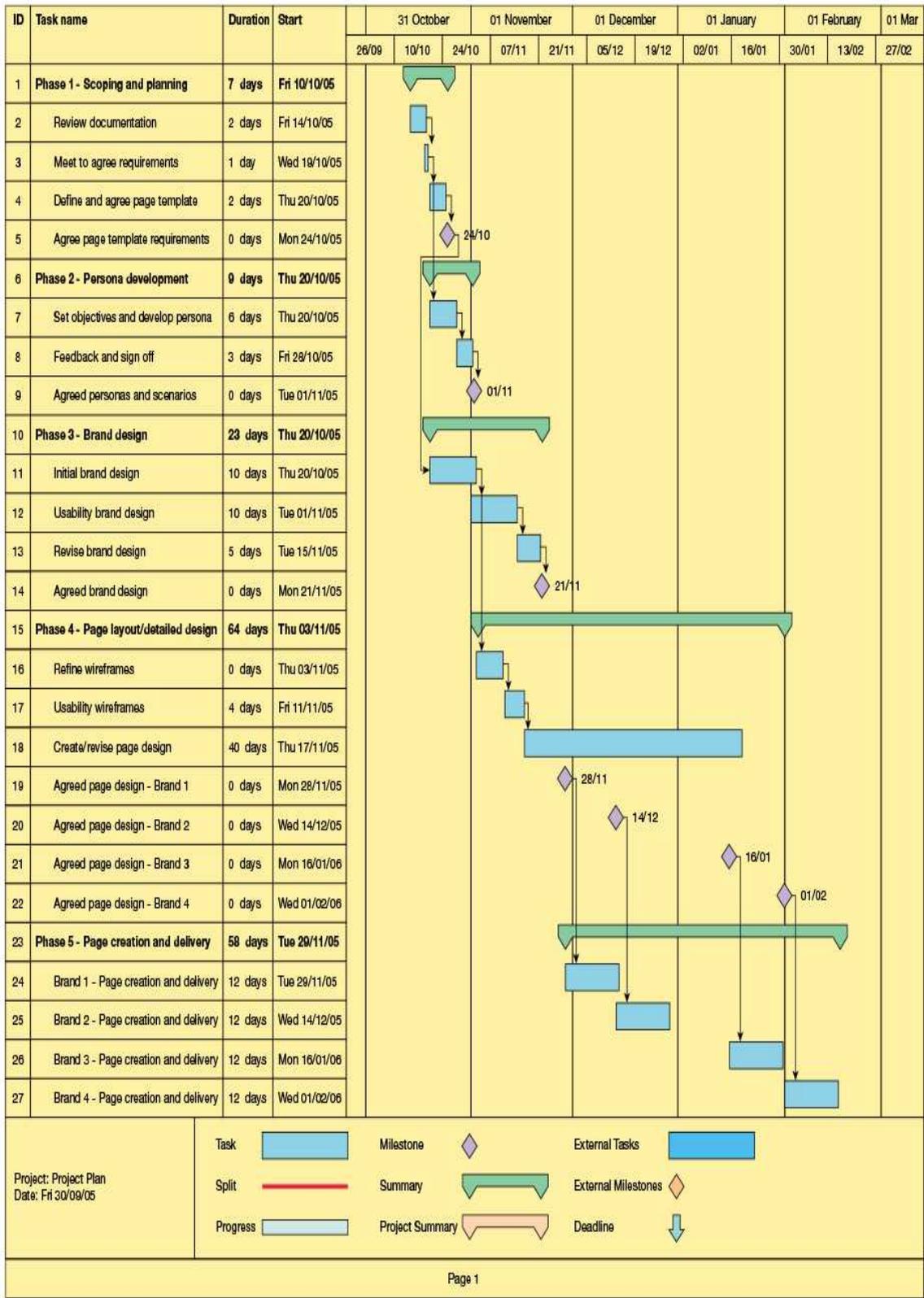
Scrum is based on focused sprints of a 15–30-day period where the team creates an increment of potentially releasable software. Potential functionality for each sprint is agreed at a *sprint planning meeting* from the *product backlog*, a prioritised set of high-level requirements. The sprint planning meeting is itself iterative, with the product owner stating their requirements from the product backlog and the technical team then determining how much of this they can commit to complete during the forthcoming sprint. The term ‘scrum’ refers to a daily project status meeting during the sprint. (See <http://en.softhouse.se/vara-erbjudanden/verksamhetsutveckling> for an overview of the process.)

The principles of agile development are encapsulated in the ‘Agile Manifesto’ (<http://agilemanifesto.org/>), which was agreed in 2001 by proponents of previous rapid development methodologies including the Dynamic Systems Development Methodology and Extreme Programming. The Agile Manifesto is useful in illustrating the principles of agile programming that contrast with traditional approaches. The text of the manifesto is:

We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:

- individuals and interactions over processes and tools;
- working software over comprehensive documentation;
- customer collaboration over contract negotiation;
- responding to change over following a plan.

Figure 7.5 Example of a website ‘Design and Build’ project timeline



That is, while there is value in the items on the right, we value the items on the left more.

Closely related to the agile approach is restructuring using the **DevOps** approach. Wikipedia (2015) explains the reasons behind this:

The specific goals of a DevOps approach span the entire delivery pipeline, they include improved deployment frequency, which can lead to faster time to market, lower failure rate of new releases, shortened lead time between fixes, and faster mean time to recovery in the event of a new release crashing or otherwise disabling the current system. Simple processes become increasingly programmable and dynamic using a DevOps approach, which aims to maximise the predictability, efficiency, security and maintainability of operational processes.

DevOps

An approach to development of systems that involves a more collaborative and closer relationship between development and operations teams with the aim of reducing deployment times and frequency of system updates and improving their stability.

Digital marketing insight 7.2: Success factors for delivery

The Government ‘Service Manual’ (www.gov.uk/service-manual) describes the process for developing online services using an agile approach covering Discovery, Beta, Alpha and Live stages. The UK Government Digital Service takes each new service it wants to bring online or relaunch through four main phases and a retirement phase. These mirror those phases used in commercial projects, which use similar terminology in agile. These are:

- **Discovery (4–8 weeks).** The discovery phase gives a high-level understanding of user needs, defines KPIs and scopes initial prototypes that may be needed.
- **Alpha (6–8 weeks).** The alpha phase involves exploring solutions for user challenges. More developers and designers will be brought into the team, and will help you to build and test prototypes and possible solutions for your users’ needs.
- **Beta.** The objective of the beta phase is to build a fully working prototype, which is tested with users and may involve private and public betas.
- **Live.** The Government Service Manual explains: ‘The work doesn’t stop once your service is live. You’ll be iteratively improving your service, reacting to new needs and demands, and meeting targets set during its development.’

In an article (O’Neill, 2014), one of the project managers explains the success factors for delivery and picks out the 18 criteria (www.gov.uk/service-manual/digital-by-default) for an effective project, the majority of which also apply to commercial projects.

Growth hacking

Recently, the concept of **growth hacking** has developed as a way of supporting the profitable growth of businesses through using an agile approach. Andrew Chen (2012), an entrepreneur who is an advisor and investor to many startups, describes a growth hacker as follows in his post *Is the Growth Hacker the New VP Marketing?*

Growth hacking

A mindset which focuses marketing activities on increasing the scale and profitability of a business through testing and improving techniques for improving the value of audience touchpoints across the customer lifecycle of Reach, Interactions, Conversion and Engagement.

Growth hackers are a hybrid of marketer and coder, one who looks at the traditional question of ‘How do I get customers for my product?’ and answers with A/B tests, landing pages, viral factor, email deliverability, and Open Graph. On top of this, they layer the discipline of direct marketing, with its emphasis on quantitative measurement, scenario modelling via spreadsheets, and a lot of database queries.

This quote shows that many of the features such as a focus on testing and learning through conversion rate optimisation (CRO) are not new, indeed they have been featured in this book for several editions; it shows a change in mindset in how business transformation can be achieved. Another key feature of growth hacking is applying techniques for how to achieve viral growth through encouraging users to share their experience. The growth of Hotmail from 0 to 12 million users before it was bought by Microsoft is a favourite anecdote of growth hackers. For Hotmail the sharing was rapid due to the email signature: ‘PS I love you. Get your free email at Hotmail. Signature.’ Today encouraging sharing through social sign-on and social sharing is more an approach sought by growth hackers. These techniques have helped companies like LinkedIn grow from 13 million to 175 million users according to Schranz (2012), who explained that Facebook’s growth team started by establishing a simple framework of things to measure and improve to make it easier for everyone to understand what to focus on and why it matters:

- **Acquisition:** get people in front of your product.
- **Activation:** provide a great initial experience.
- **Engagement:** keep people engaged, deliver value.

- **Virality:** get people to recommend your product.

Some of the principles of growth hacking are being adopted by existing businesses, looking to enhance the sales from their digital channels. For example, *The Guardian* is advertising for a ‘Head of Growth Hacking’, describing the growth in the role as:

The Guardian is committed to a ‘digital-first’ strategy and in order to support this, we are seeking a Head of Growth Hacking to manage a virtual, cross functional team focussed on GNM’s growth hacking plan. This role is responsible for finding innovative ways to accelerate adoption, use, and retention to drive up audiences to the Guardian’s digital product portfolio.

Initiation of a digital experience project

Before the analysis, design and creation of the website, all major projects will have an initial phase in which the aims and objectives of the website are reviewed, to assess whether it is worthwhile investing in the website and to decide on the amount to invest. The **initiation of the website project** provides a framework for the project that ensures:

- there is management and staff commitment to the project;
- objectives are clearly defined;
- the costs and benefits are reviewed in order that the appropriate amount of investment in the site occurs;
- the project will follow a structured path, with clearly identified responsibilities for different aspects such as project management, analysis, promotion and maintenance;
- the implementation phase will ensure that important aspects of the project, such as testing and promotion, are not skimped.

Initiation of the website project

This phase of the project should involve a structured review of the costs and benefits of developing a website (or making a major revision to an existing website). A successful outcome to initiation will be a decision to proceed with the site development phase, with an agreed budget and target completion date.

Domain name selection and registration

If a project or campaign involves a new site rather than simply an upgrade, it will be necessary to **register a new domain name**, more usually referred to as a ‘web address’ or ‘uniform (or universal) resource locator’ (URL).

Domain name registration

The process of reserving a unique web address that can be used to refer to the company website, in the form of **www.<companyname>.com** or **www.<companyname>.co.uk**.

Choosing a domain name is a relatively simple decision, since there is some basic terminology that marketers need to be aware of. Companies typically have many digital services located on different address domains, particularly for companies with different domains for different countries. The domain name refers to the address of the web server and is usually selected to be the same as the name of the company, and the extension will indicate its type.

The extension is commonly known as the generic top-level domain (gTLD). Common gTLDs are:

- i **.com** represents an international or American company, such as www.travelocity.com.
- ii **.org** are not-for-profit organisations (e.g. www.greenpeace.org).
- iii **.net** is a network provider such as www.demon.net.

There are also specific country-code top-level domains (ccTLDs):

- iv **.co.uk** represents a company based in the UK, such as www.thomascook.co.uk.
- v **.au, .ca, .de, .es, .fi, .fr, .it, .nl**, etc. represent other countries (the **co.uk** syntax is an anomaly!).
- vi **.ac.uk** is a UK-based university or other higher education institution (e.g. www.cranfield.ac.uk).
- vii **.org.uk** is for an organisation focusing on a single country (e.g. www.mencap.org.uk).

The ‘filename.html’ part of the web address refers to an individual web page – for example ‘products.html’ for a web page summarising a company’s products.

It is important that companies define a URL strategy that will help customers or partners find relevant parts of the site containing references to specific products or campaigns when printed in offline communications such as adverts or brochures.

Uniform resource locators (URLs)

The technical name for a web address is **uniform (or universal) resource locator (URL)**. URLs can be thought of as a standard method of addressing, similar to postcodes, that make it straightforward to find the name of a domain or a document on the domain.

Uniform (or universal) resource locator (URL)

A web address used to locate a web page on a web server.

In larger businesses, particularly those with many sites, it's important to develop a **URL strategy** so that there is a consistent way of labelling online services and resources.

Domain names are registered using a hosting company or domain broker using a domain name service, such as:

- InterNIC[®] (www.internic.net). Registration for the **.com**, **.org** and **.net** domains.
- Nominet[™] (www.nominet.org.uk). Registration for the **.co.uk** domain. All country-specific domains, such as **.fr** (France) or **.de** (Germany), have their own domain registration authority.

URL strategy

A defined approach to forming URLs including the use of capitalisation, hyphenation and subdomains for different brands and different locations. This has implications for promoting a website offline through promotional or vanity URLs, search engine optimisation and findability.

A clean URL that fits many of these aims would be www.domain.com/folder-name/document-name. Care must be taken with capitalisation, since Linux servers parse capitals differently from lower-case letters.

The following guidelines should be borne in mind when registering domain names:

1. *Campaign microsites may hinder findability and give maintenance problems.* If a new site is created specifically for a campaign this can cause problems since although Google's robots will crawl it rapidly, it will probably not rank highly without backlinks from other sites, so it will have poor visibility (as described in [Chapter 9](#) in the section on SEO). For this reason it is often better to redirect visitors typing in the domain name to a campaign subfolder on an existing site.
2. *Organisations should register multiple ccTLDs to protect their reputation.* As described in [Chapter 3](#), 'domaineers' may seek to purchase domain extensions or ccTLDs which would rightly belong to the brand such as **.org.uk** or their equivalents in other countries.
3. *New startup companies should consider whether the company and domain name can assist in SEO.* While existing brands will use their main company or brand name for a site, new companies may benefit if the domain name contains a key phrase that searchers will seek. As we saw in [Chapter 3](#) about the legal constraints on domain purchase, companies may pay a lot to register a domain such as **cruises.com** for this reason.

Managers or agencies responsible for websites need to check that domain names are automatically renewed by the hosting company (as most are today). For example, the **.co.uk** domain must be renewed every two years. Companies that don't manage this process potentially risk losing their domain name since another company could potentially register it if the domain name lapsed.

Selecting a hosting provider

Selecting the right partner to host a website is an important decision since the quality of service provided will directly impact on the quality of service delivered to a company's customers. The partner that hosts the content will usually be a specialist hosting provider, such as Rackspace™ (www.rackspace.com), for the majority of small, medium and large companies. Today, it's rare for larger companies to locate the web server to host the content inside the company and for it to be managed by the company's IT department.

The quality of service of hosted content is essentially dependent on two factors: the performance of the website and its availability.

Website performance optimisation

It's important for site owners to recognise that page download performance is essential to the success of a site, even when many users have broadband

connections and sites are hosted with high **bandwidth** connections to the Internet.

Bandwidth

Indicates the speed at which data are transferred using a particular network medium. It is measured in bits per second (bps).

Site performance has become more important with the increased adoption of smartphones, which typically have lower bandwidth connections than desktops. Research by Google (2017b) has shown that the recommended average user perception of acceptable download time is two seconds, while for the average European website it is around eight seconds.

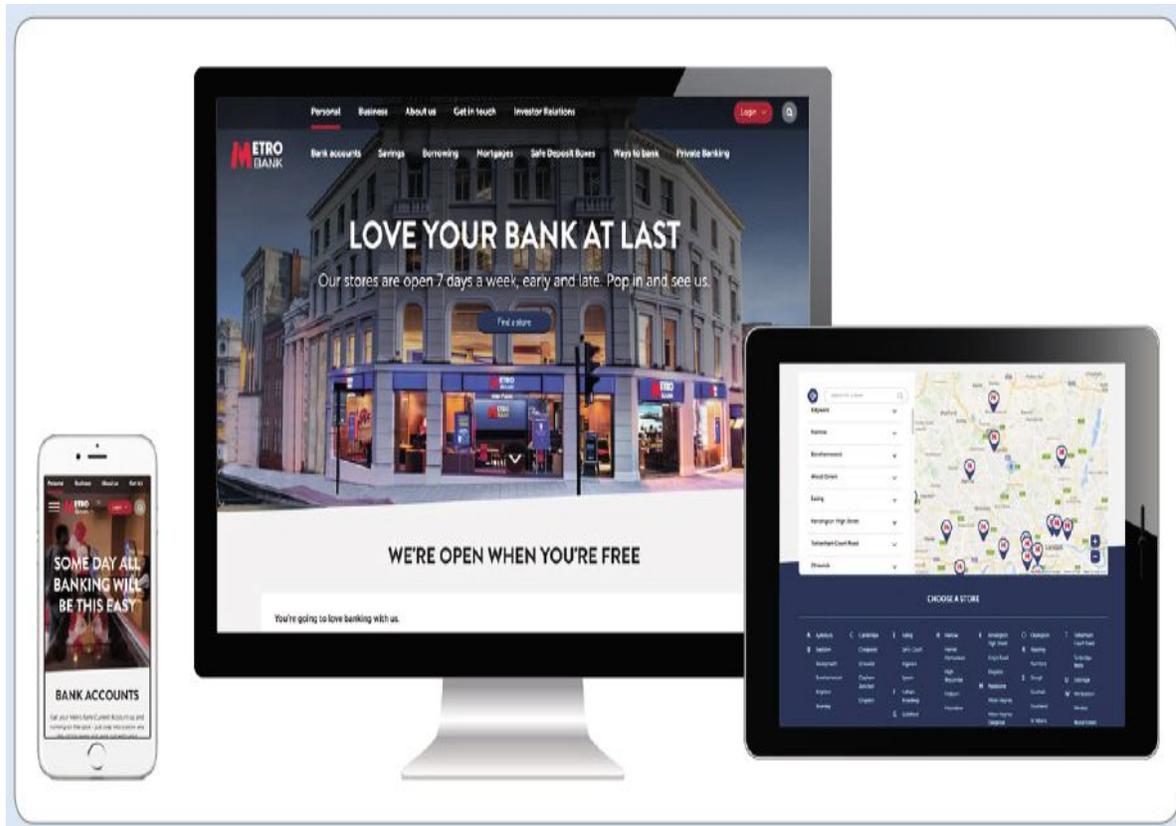
It's worth noting that innovation in the protocols used for transmitting data can help site performance too. **HTTP/2** is a major revision of the HTTP network protocol used by the World Wide Web for data transfer between web browsers and servers, which is potentially faster and is being rolled out at the time of writing. The majority of sites are now using secure 'HTTPS' protocol (denoted by the padlock symbol in the browser bar). Google is encouraging sites to use https since it is more secure and it favours secure 'https://' sites when ranking sites.

This example in [Mini case study 7.2](#) of Metro Bank™ shows that redesigning sites to improve performance and usability can have significant benefits in customer satisfaction. Pages now load for 90 per cent of users in under two seconds.

Mini case study 7.2: Metro Bank transforms digital customer experience with a revamped, responsive website

Metro Bank first opened its doors in the summer of 2010, the first high-street bank to open in the UK in over 100 years. As the UK's leading challenger bank, Metro Bank prides itself on offering the very best in service and convenience for its customers nationwide.

Figure 7.6 Metrobank desktop and mobile experiences



As a result, Metro Bank wished to transform its public-facing website, metrobankonline.co.uk, so that it accurately reflected the award-winning bank's service offering, brand identity and vision. It also wanted to ensure the site was fully responsive on all devices and also easy to update and manage for all content editors. The revamped website also had to be delivered to a tight five-month timescale.

Metro Bank's established technology partner, Netcel™ worked collaboratively with Deloitte Digital™, who provided additional art direction and template designs, together with a number of third-party specialists. Netcel built the revamped website on the latest version of Episerver, using its recognised Episerver expertise at delivering complex integrated websites. It created all the front-end page templates, including headers, footers and navigation. The new user interface was tested rigorously.

Thanks to its collaborative, agile process, Netcel was able to deliver this highly complex large-scale and multi-faceted project in just five months, with the project culminating in an out-of-hours launch.

Since relaunch, Netcel has been working on subsequent releases incorporating new requirements and optimisation of existing features such as a mortgage calculator tool.

And according to Metro Bank, public reaction to the new website has been 'overwhelmingly positive', and Metro Bank's score has already risen from 4.5 to 7.5, in independent 'Digital Confidence' tests.

Research by Trilibis (2014) of over 150 prominent mobile responsive sites showed that only 21 per cent of these modern websites were loading in less than

four seconds on a smartphone, and that 32 per cent of the sites required between 8 and 48 seconds to load.

Trilibis investigated the reason for this sluggish page-load time of responsive sites and found that image size was the primary cause. By analysing page composition, it determined that the mean home page weight of the sites in the sample was 1.7MB, with a median weight of 1.2MB.

Another tactic that can help is applying **content distribution networks (CDNs)** such as Akamai and Cloudflare, indicating underlying technical issues in delivering content from the server.

Content distribution (or delivery) networks (CDNs)

A system of servers distributed globally with copies of data stored locally to enable more rapid download of content. Their use has increased with increased use of streaming video and more complex web applications.

Google clearly takes this area of website management seriously; it wants users to access relevant content quickly as part of the service and has stated that if a site is particularly slow its ranking will be affected. To help site owners, Google has made available tools such as the one illustrated in [Figure 7.7](#) to show the relevant performance, so marketers should ask their agency to assess their performance.

The length of time is dependent on a number of factors, some of which cannot be controlled, but primarily depends on the bandwidth of the hosting company's connection to the Internet and the performance of the web server hardware and content management platform. It also depends on the 'page weight' of the site's pages measured in kilobytes (which is dependent on the number and complexity of images and animations).

Another factor for a company to consider when choosing a hosting provider is whether the server is *dedicated* to one company or whether content from several companies is located on the same server. A dedicated server is best, but it will attract a premium price.

The availability of the website

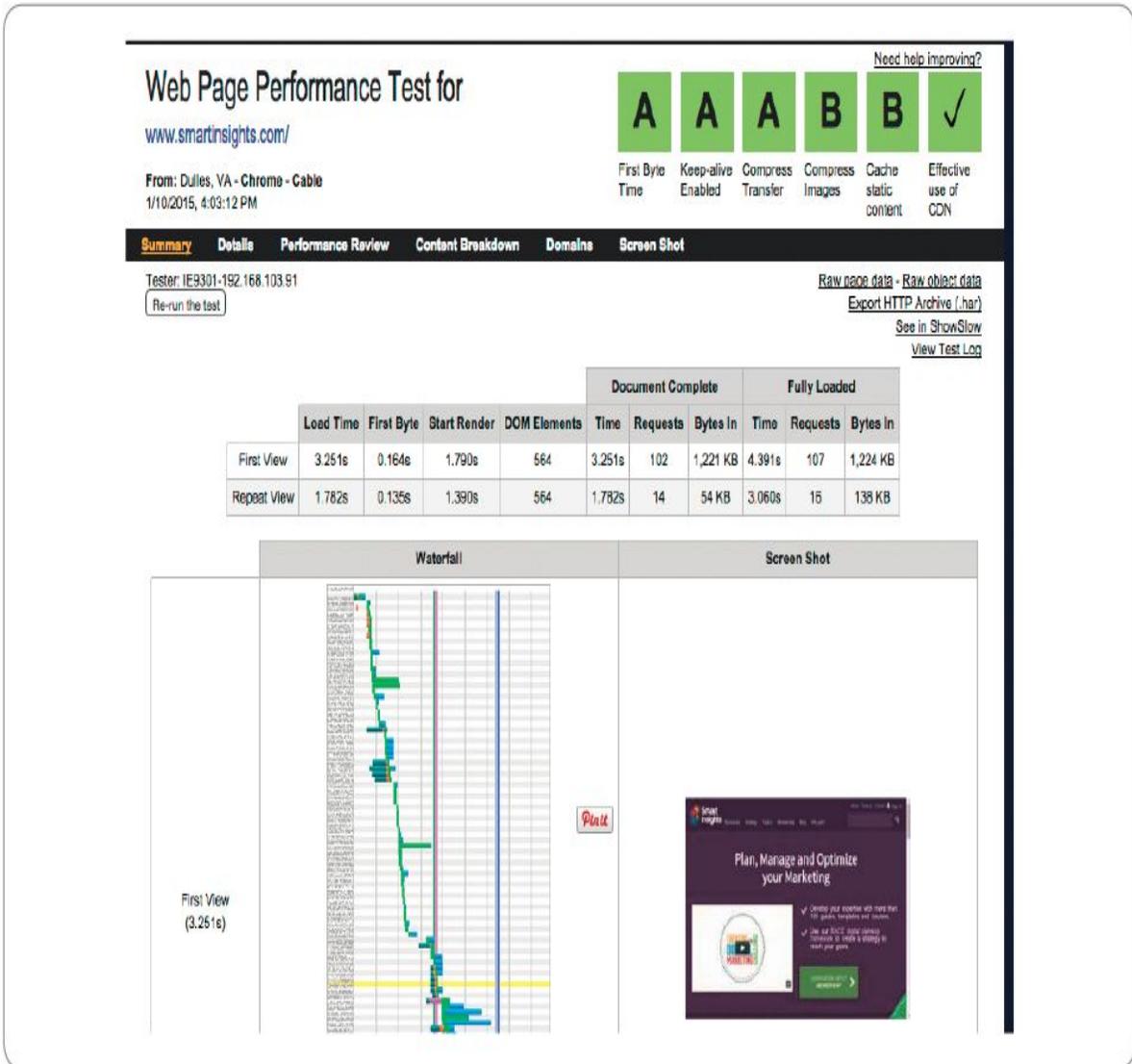
The availability of a website is an indication of how easy it is for a user to connect to it. In theory, this figure should be 100 per cent, but sometimes, for

technical reasons such as failures in the server hardware or upgrades to software, the figure can drop substantially below this.

Sites also need to be configured to be able to deal with increased loads at certain times, e.g. during sales periods. SciVisum (2005) recommends that companies do the following:

- Define the peak visitor throughput requirements for each customer journey on the site. For example, the site should be able to support at the same time: approximately ten checkout journeys per second, 30 add-to-basket journeys per second, five registration journeys per second, two check-my-order-status journeys per second.
- Service-level agreement – more detailed technical requirements need to be agreed for each of the transaction stages. Home-page delivery time and server uptime are insufficiently detailed.
- Set up a monitoring programme that measures and reports on the agreed journeys 24/7.

Figure 7.7 Web Page performance test service results (www.webpagetest.org)



Sites also need to be responsive in terms of speed to render pages to users, since visitors are less likely to remain on site and convert to lead or sale if a page takes a long time to load. So, it's useful to assess download speed and to optimize the design of the page so that it doesn't take too long to render. Services like the Web Page performance test shown in [Figure 7.7](#) can be used to review how long different stages of the page serving process take and how to improve them.

Defining site or app requirements

The **discovery or analysis phase** involves using different marketing research techniques to find out the needs of the business and audience, whether it's a

website, mobile site, app or company social page. These needs can then be used to drive the design and content of the website.

Discovery or analysis phase

The identification of the requirements of an online service. Techniques to achieve this may include quantitative analysis of digital analytics data and qualitative analysis involving focus groups, questionnaires sent to existing customers or interviews with key accounts.

Analysis is not a ‘one-off’ exercise, but is likely to be repeated for each iteration of the prototype. Although analysis and design are separate activities, there tends to be considerable overlap between the two phases. In analysis we are seeking to answer the following types of ‘who, what, why, how, when, where’ questions, each of which has an associated analysis technique:

- Who are the key audiences for the site or app (see personas explanation in [Chapter 2](#))?
- Why should they use the site or app (what will appeal to them)?
- What should the content of site or app be? Which services will be provided (value proposition)?
- How will the content be structured (information architecture)?
- How will navigation occur (findability)?
- What are the main marketing outcomes we want the experience to deliver, such as registration, leads and sales, and how will we increase them (persuasion and CRO)?
- Which context, i.e. when, where and on which devices, is the experience accessed: at home, at work or while mobile?

To help answer these questions, web designers commonly use a research-based approach known as **user-centred design**, which uses a range of techniques to ensure the site meets user needs. This often involves ethnographic research used to build the website design or customer personas (as described in [Chapter 2](#), where there are more details on creating personas that summarise different customer journeys).

User-centred design

A design approach that is based on research of user characteristics and needs.

A structured approach to user-centred design is defined in the standard ISO 9241-210 ‘Ergonomics of human-system interaction: human-centred design for interactive systems’. It describes human-centred design as:

an approach to systems design and development that aims to make interactive systems more usable by focusing on the use of the system and applying human factors/ergonomics and usability knowledge and techniques.

We will now explore the key requirements for an online presence: business requirements and user requirements, which comprise usability, accessibility and information needs.

Business requirements

With a focus on user-centred design, there is a risk that business requirements to achieve marketing outcomes may be marginalised. A **marketing-led site design** is informed by marketing objectives and tactics. A common approach is to base the design on achieving the performance drivers of successful digital marketing (referred to in [Chapter 4](#)) and the loyalty drivers referred to at the start of this chapter. Design will be led by these performance drivers as follows:

- **Customer acquisition.** The online value proposition must be clear. Appropriate incentives for customer acquisition and permission marketing such as those described in [Chapter 6](#) must be devised.
- **Customer conversion.** The site must engage first-time visitors. Call to action for customer acquisition and retention offers must be prominent, with benefits clearly explained. The fulfilment of the offer or purchase must be as simple as possible to avoid attrition during this process.
- **Customer retention.** Appropriate incentives, content and customer service information to encourage repeat visits and business must be available (see [Chapter 6](#)).
- **Service quality.** This has been covered in this chapter. Service quality is affected by site navigation, performance, availability and responsiveness to enquiries.
- **Branding.** The brand offer must be clearly explained and interaction with the brand must be possible.

Marketing-led site design

Site design elements are developed to achieve customer acquisition, retention and communication of marketing messages.

Marketing-led site design is also known as **persuasion marketing**. Consultant Bryan Eisenberg (www.bryaneisenberg.com) was an early advocate of persuasion marketing alongside other design principles such as usability and accessibility. He says this type of focus on marketing outcome is required:

During the wireframe and storyboard phase we ask three critical questions of every page a visitor will see:

1. What action needs to be taken?
2. Who needs to take that action?
3. How do we persuade that person to take the action we desire?

Persuasion marketing

Using design elements such as layout, copy and typography together with promotional messages to encourage site users to follow particular paths and specific actions rather than giving them complete choice in their navigation.

Fogg (2009) has developed a model to inform persuasive design. The Fogg Behaviour Model (www.behaviormodel.org) asserts that for a person to perform a target behaviour, they must (1) be sufficiently motivated, (2) have the ability to perform the behaviour and (3) be triggered to perform the behaviour. These three factors must occur at the same moment, otherwise the behaviour will not happen.

Before we review user-centred design processes, consider [Mini case study 7.3](#), which shows how one company has developed a site that blends marketing-led and user-centric design.

Usability requirements

Usability is a concept that can be applied to the analysis and design of a range of products that defines how easy they are to use. The British Standard (BSI)/ISO Standard (1999) 'Human-centred design processes for interactive systems' defines usability as:

the extent to which a product can be used by specified users to achieve specified goals with effectiveness, efficiency and satisfaction in a specified context of use.

Usability

An approach to website design intended to enable the completion of user tasks.

You can see how the concept can be readily applied to website design – web visitors often have defined *goals*, such as finding particular information or completing an action such as booking a flight or viewing an account balance.

In Jakob Nielsen's classic book *Designing Web Usability* (2000), he describes usability as follows:

An engineering approach to website design to ensure the user interface of the site is learnable, memorable, error free, efficient and gives user satisfaction. It incorporates testing and evaluation to ensure the best use of navigation and links to access information in the shortest possible time. A companion process to information architecture.

In practice, usability involves two key project activities. **Expert reviews** are often performed at the beginning of a redesign project as a way of identifying problems with a previous design. **Usability testing** involves:

1. identifying representative users of the site (see, for example, [Table 7.2](#)) and identifying typical tasks;
2. asking them to perform specific tasks such as finding a product or completing an order;
3. observing what they do and how they succeed.

Expert review

An analysis of an existing site or prototype by an experienced usability expert who will identify deficiencies and improvements to a site based on their knowledge of web design principles and best practice.

Usability/user testing

Representative users are observed performing representative tasks using a system.

Mini case study 7.3: Optimax

Optimax is one of the UK's largest laser eye treatment companies. The first Ultralase clinic was opened in 1991 and there are now 22 locations in the UK. Its growth has been supported through its website and digital media since the content available online is a key part of the consumer decision-making process and for the company lead generation.

Figure 7.8 shows how Optimax combines persuasion, usability and accessibility within its home page to help meet business needs.

Figure 7.8 Optimax website (www.optimax.com)

The screenshot shows the Optimax website home page. At the top, there is a navigation bar with the Optimax logo, a 25th anniversary badge, and contact information including a free hotline and mobile number (0800 093 1110), a 'Request Callback' button, and a 'Book FREE Consultation' button. Below the navigation bar is a main carousel area. The carousel features a large image of a smiling woman, Djalenga Scott, with the headline 'Laser Eye Surgery'. To the left of the image is a list of benefits: 'Freedom From Glasses & Lenses', 'Free EyePredict™ Report', and 'Lifetime Aftercare Guarantee'. Below the image is a testimonial: 'It's just incredible... I don't know why I didn't do it sooner!' by Djalenga Scott, Treated at Optimax. To the right of the image is a form for a 'FREE Information Pack' with fields for Title, Forename, Surname, Address, Post code, Telephone, and Email, and a 'Proceed' button. Below the carousel are four service tiles: 'Treatment Costs' (Affordable treatments from £50.30/month), 'Clinic Locations' (Clinics nationwide offering a range of treatments), 'Are You Suitable?' (Check your suitability and book your free laser eye surgery consultation online), and 'Surgery Explained' (Everything you need to know about your surgery options, including over 12,000 FAQ's). Each tile has a 'Call to Action' button: 'Don't Compromise', 'Find Your Nearest Clinic', 'Check Your Suitability', and 'All You Need To Know'.

These are some of the design elements used by Optimax to help it achieve its goals:

1. Carousel area (centre top of page). Use to deliver key brand messages and position the brand through imagery to appeal to different age groups.
2. Customer journey highlighted (buttons below carousel). The 'call-to-action' buttons for 'treatment costs', 'clinic locations' and 'are you suitable?' help highlight common

customer concerns based on research, which will help visitors easily find answers to their questions on the 'path to purchase'.

3. **Incentivised response-form (right top).** This 'lead generation form' uses multiple incentives and has a prominent position so the company can use email and phone communications to nurture interest in the product.
4. **Intro text (below the screen capture).** This helps show relevance for users, communicates key brand messages and is used for search engine optimisation to target the key phrases 'laser eye surgery' and 'laser vision correction treatment'.
5. **Clear calls-to-action for key business outcomes.** Again, prominent at the top of the screen, these are likely to be set up as conversion goals in Google Analytics. Containers blend image and text to avoid banner blindness. These containers all highlight the site's online value proposition.
6. **Common questions answered (centre panel).** These 'points of resolution' are often hidden in a FAQ, but it is interesting that Optimax highlights them on the home page. Key concerns are also highlighted in the main navigation.
7. **Prominent phone response (top right).** Vital for high-value, complex products since conversion tends to be higher via the phone channel. A unique web number can be used for tracking online influence.
8. **Social proof and testimonials.** Trustpilot is used to display testimonials from existing customers.

For a site to be successful, the user tasks or actions need to be completed:

- **Effectively.** ISO 9241-210 defines effectiveness as '*accuracy and completeness with which users achieve specified goals*'. Digital experience usability specialists measure task completion; for example, only three out of ten visitors to a website may be able to find a telephone number or other piece of information.
- **Efficiently.** ISO 9241-210 defines efficiency as '*resources expended in relation to the accuracy and completeness with which users achieve goals*'. Digital experience usability specialists also measure how long it takes to complete a task on-site, or the number of clicks it takes.

Jakob Nielsen explained the imperative for usability well in his 'Usability 101' (www.useit.com/alertbox/20030825.html). He said:

On the web, usability is a necessary condition for survival. If a website is difficult to use, people leave. If the homepage fails to clearly state what a company offers and what users can do on the site, people leave. If users get lost on a website, they leave. If a website's information is hard to read or doesn't answer users' key questions, they leave. Note a pattern here?

For these reasons, Nielsen suggested that around 10 per cent of a design project budget should be spent on usability, but often actual spend is significantly less.

Some would also extend usability to including testing of the visual or brand design of a site in focus groups, to assess how well consumers perceive it reflects the brand. Often, alternative visual designs are developed to identify those that are most appropriate.

Additional website design research activities include the use of personas and scenario-based design (as introduced in [Chapter 2](#)).

Web accessibility requirements

Web accessibility is another core requirement for websites. It is about allowing all users of a website to interact with it regardless of disabilities they may have, or the web browser or platform they are using to access the site. The visually impaired are the main audience that designing an accessible website can help. However, increased usage of mobile devices also makes consideration of accessibility important.

Web accessibility

An approach to site design intended to accommodate site usage using different browsers and settings – particularly required by the visually impaired and visitors with other disabilities including motor control, learning difficulties and deaf users. Users whose first language is not English can also be assisted.

The following quote shows the importance of accessibility to a visually impaired user who uses a screen-reader that reads out the navigation options and content on a website:

For me being online is everything. It's my hi-fi, it's my source of income, it's my supermarket, it's my telephone. It's my way in. (Lynn Holdsworth, screen-reader user, web developer and programmer)

Source: RNIB

Remember, as we explained in [Chapter 3](#), that many countries now have specific **accessibility legislation** to which website owners are subject. This is often contained within disability and discrimination acts. In the UK, the relevant act is the Disability and Discrimination Act (DDA) 1995. Recent amendments to the DDA make it unlawful to discriminate against disabled people in the way in which a company recruits and employs people, provides services or provides education. Providing services is the part of the law that applies to website design. Providing accessible websites is a requirement of Part

II of the Disability and Discrimination Act published in 1999 and required by law from 2002.

Accessibility legislation

Legislation intended to protect users of websites with disabilities, including visual disability.

Guidelines for creating accessible websites are produced by the governments of different countries and non-government organisations such as charities. Internet standards organisations, such as the World Wide Web Consortium, have been active in promoting guidelines for web accessibility through the Website Accessibility Initiative (www.w3.org/WAI). This describes common accessibility problems such as:

images without alternative text; lack of alternative text for imagemap hot-spots; misleading use of structural elements on pages; uncaptioned audio or undescrbed video; lack of alternative information for users who cannot access frames or scripts; tables that are difficult to decypher when linearised; or sites with poor colour contrast.

Mini case study 7.4: Thomas Cook Netherlands uses 4Q to review and improve its customers' experience

To find out the customer satisfaction ratings for visitors to its site compared to their intent, Thomas Cook Netherlands used Voice of Customer Tool 4Q from survey provider iPerceptions.

A sample of visitors were asked four questions after they had used the site to determine the gap between what they were looking for and whether they were successful. The four questions, which can be applied in a customer intent-satisfaction survey to review customer journey effectiveness, are:

1. What is the purpose of your visit to our website today?
2. Were you able to complete your task today?
3. If you were, how would you rate your satisfaction?
4. If not satisfied, why not?

Thomas Cook noticed that website visitors were not able to find certain seasonal travel content such as destinations and specific accommodations from the homepage. Visitors also

validated other research into web performance by suggesting that page load times could be improved. Using not only their own research, but also the voice of their customers, they were able to build a much stronger case to focus optimisation improvements in these areas.

‘Because our work is very seasonal, we are constantly monitoring feedback in order to meet our visitors’ content expectations’, said Matthew Niederberger, conversion specialist at Thomas Cook Netherlands. ‘Thanks to our visitors’ insights, we have been able to improve much of the content on the homepage to better meet their needs. We have also increased priority to several web performance improvement projects as we could clearly see that this was a major concern among our visitor base.’

Source: Market Wired (2011)

A fuller checklist for accessibility compliance for website design and coding using HTML is available from the World Wide Web Consortium (<http://www.w3.org/WAI/>).

Personalisation requirements

As prospects and customers use business websites and apps, we can use technology to learn a lot about their behaviours, preferences and characteristics. This includes both implicit data based on behaviour and explicit data collected through profiling forms, surveys and quizzes either by the business or through linking to third-party data sources. **Personalisation** aims to deliver more relevant experiences through customised recommendations that improve conversion to lead or sale or improve engagement with a brand.

Personalisation

Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

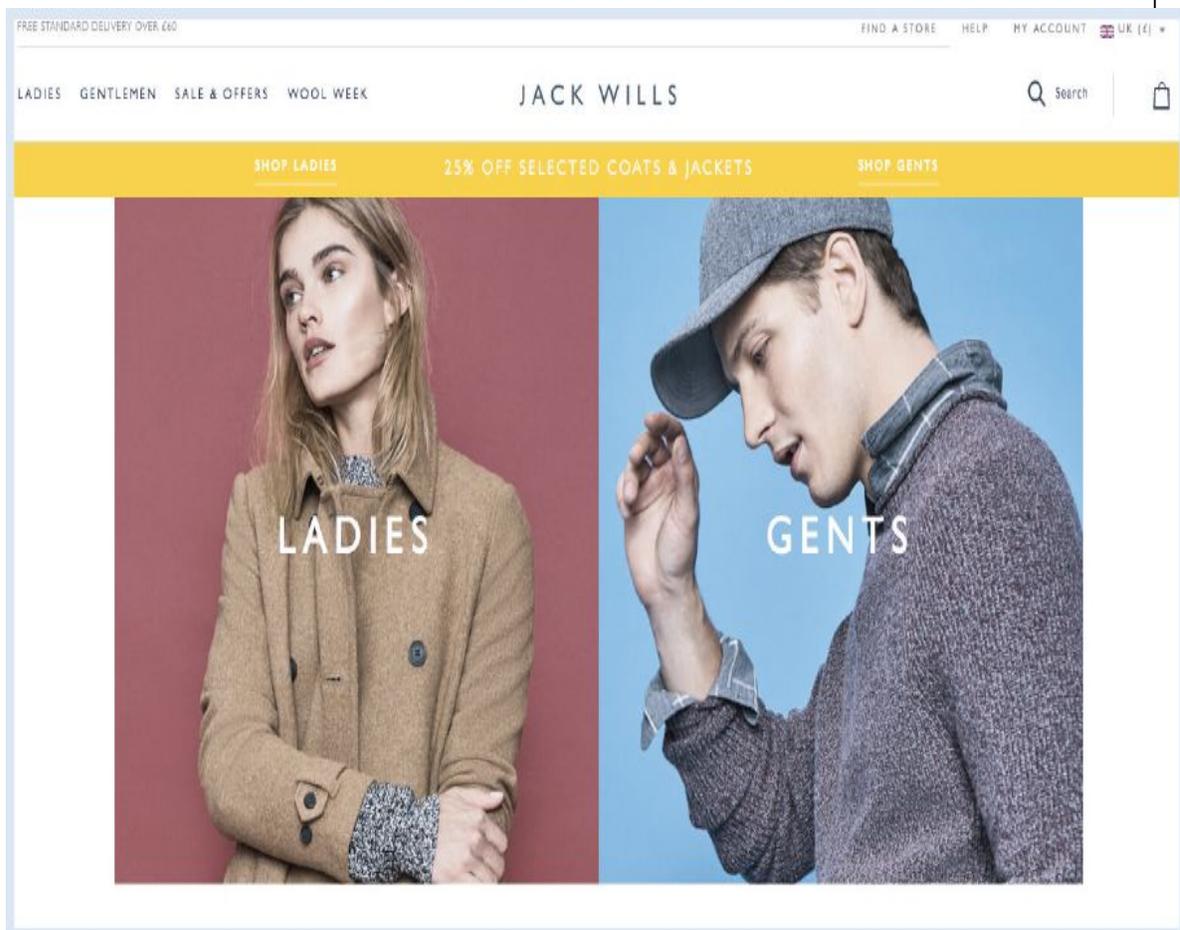
Although many of us will have experienced personalisation through retail product recommendations like those from Amazon, the definition shows the relevance of personalisation to all types of businesses. For example, B2B companies that don’t sell on line can use personalisation to recommend relevant content to sustain prospects’ interest in a business and so nurture them towards sale.

Digital personalisation provider Monetate (2017) recommends that opportunities for personalisation for a transactional e-commerce business are based on three main types of implicit data that can be captured in analytics:

- **Context.** For example, first-time or return visits, type of device, location, time of day and referral source.
- **Behaviours.** For example, content viewed, particularly viewed products and categories and items in abandoned baskets.
- **History.** Past purchases, involvement in loyalty programme and past email interactions (also behaviours).

Mini case study 7.5: How a retail brand ran a personalisation programme to improve engagement

Figure 7.9 Jack Wills website (www.jackwills.com)



Jack Wills, a retail fashion company, used personalisation to boost conversion rates among new and returning customers. Mark Wright, Managing Director Digital at Jack Wills, explains the importance of personalisation to Jack Wills:

As a leading British clothing brand, it's really important for us to provide customers with what they want, when they want it, and our online channels provide us with more opportunities to deliver personalised experiences to users.

When Wright joined the business, the fashion retailer was treating every customer the same way, with no real distinction between customer groups other than gender.

'We knew nothing about their shopping mission or how we could help them through the website shopping experience', he explains. 'Or how we could link that to show them a better suggestion of our product range.' Wright had a vision of making the website experience quicker and easier for those returning customers who shopped for their familiar core staples, such as a Jack Wills hooded jumper. 'I wanted to drive a proper test and learn mentality, how we can push the boundaries and understand customer behaviour. That's what personalisation is really all about, how we can inspire the customer.'

The results Jack Wills have seen since running their personalisation programme are:

- **12 per cent increase in conversion rates;**
- **8 per cent increase in add-to-basket;**
- **reduced basket abandonment.**

Using Monetate, personalisation software for consumer-facing brands, not only has Jack Wills increased its conversion rates, it has also reduced its basket abandonment. Monetate is used for personalisation on all of its websites in the UK, Europe, US and Hong Kong.

Through using personalisation, new customers to the online store are shown product category pages with 'bestseller' products, while returning customers are shown 'new arrivals' on the same pages. This is because extensive testing proved that existing customers are more interested in discovering new products.

To achieve this, Jack Wills now places a cookie on the website for a new customer, and a returning shopper is defined as being male or female and given a specific gendered landing page. Every couple of months this is refreshed to ensure the retailer isn't making too many assumptions and this strategy is dropped altogether at Christmas when many customers are visiting the website to buy gifts.

By providing a personalised experience to segmented customer groups, new customer conversions increased by 12 per cent and there was also an 8-per-cent increase in add-to-basket. Another enhancement to help user experience was sticky left-hand navigation filters that were added to remain visible while the user kept scrolling down the site page. This encourages users to engage and interact with searches and different products until they find the right item of clothing they like, without abandoning the page altogether. This increased conversions, with a 10-per-cent uplift and decreased basket abandonment.

Jack Wills' next step in delivering personalisation will focus on search filters that increase engagement on mobile – a device that is becoming increasingly popular when searching the web. It is reported that users typically spend 12 per cent more on mobile than desktop.

Sources: Monetate (2016) and Essential Retail (2017)

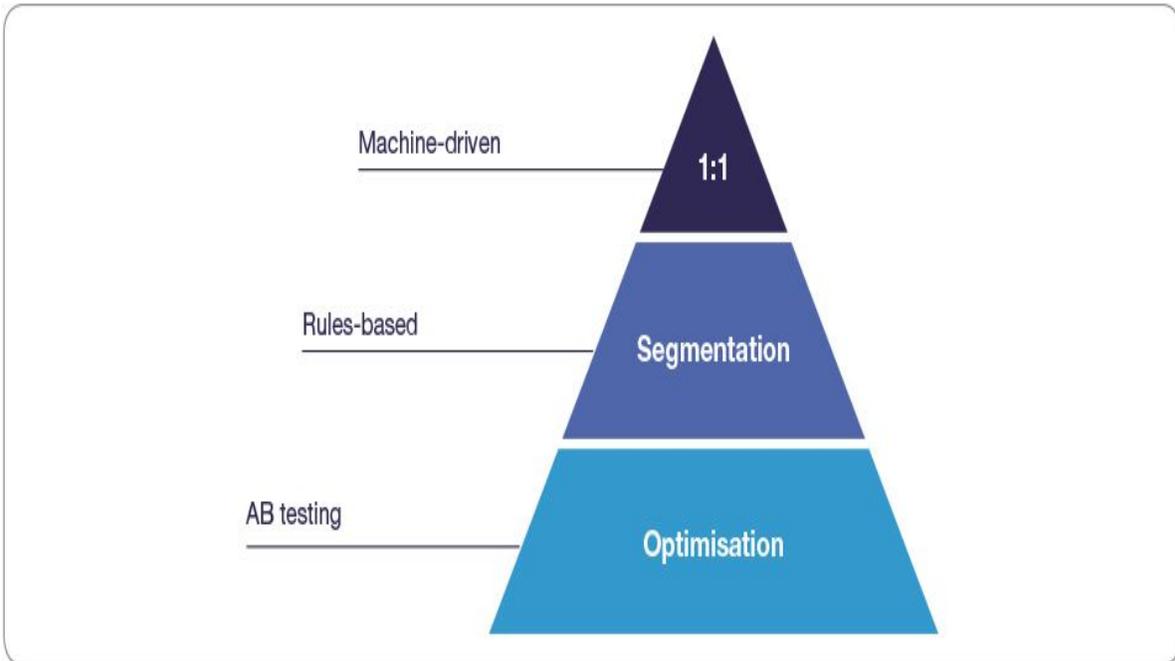
We recommend adding a fourth, although not all personalisation systems enable integration with other data sources such as profile information:

- **Profile characteristics.** These are explicitly disclosed data captured about details such as gender, age or company data or profile information inferred from third-party data from similar audiences related to where they live.

As we explained in [Chapter 4](#), it's now a legal requirement in most countries to disclose how they will use personal data for personalisation according to data protection and privacy law. Monetate (2017) has distinguished between three different levels of personalisation in their 'pyramid of personalisation' ([Figure 7.10](#)), which are useful for businesses to review their capabilities ([Figure 7.10](#)). These are:

1. **Optimisation using AB testing.** This technique is used as part of conversion-rate optimisation to identify which page elements and variations are important to increasing conversion. It isn't typically personalisation based on data collected, but involves serving different content to some groups of users compared to a control.
2. **Segmentation using rules-based targeting.** Here rules are set up in a personalisation system to serve different content to different audience groups based on the four types of data above. For example, first-time visitors can be served a different message to repeat visitors or a 'next-best product' can be recommended to a previous purchaser.
3. **1:1 Personalisation.** This approach goes beyond pre-defined rules to use machine learning or predictive analytics to serve the most relevant messages to an individual based on all the known profile information and how others similar in their characteristics have responded in the past.

Figure 7.10 Personalisation pyramid website



Source: Monetate, with permission.

Localisation and cultural customisation

One in three, one in five, one in seven? Do you know what proportion of our global population speaks English as their primary language? In fact, it's one in seven, meaning that this leaves six billion people worldwide who don't. This simple fact alone shows the potential of translation, both in serving new international audiences and reaching non-English speakers in majority English-speaking markets (nearly 20 per cent of the US population are Hispanic and Latino). At the same time, many businesses that originated in a non-English speaking country have the opportunity to reach English speakers in other countries.

A further aspect of customer-centricity for website design is the decision whether to include specific content for particular countries. This is referred to as **localisation**.

Localisation

Tailoring of website information for individual countries.

A site may need to support customers from a range of countries with:

- different product needs;

- language differences;
- cultural differences – this approach is also referred to as ‘cultural adaptation’.

Localisation will address all these issues. It may be that products will be similar in different countries and localisation will simply involve converting the website to suit another country. However, in order to be effective this often needs more than translation, since different promotion concepts may be needed for different countries. Note that each company prioritises different countries according to the size of the market, and this priority then governs the amount of work it puts into localisation.

Singh and Pereira (2005) provide an evaluation framework for the level of localisation:

- **Standardised websites (not localised).** A single site serves all customer segments (domestic and international).
- **Semi-localised websites.** A single site serves all customers; however, contact information about foreign subsidiaries is available for international customers. Many sites fall into this category.
- **Localised websites.** Country-specific websites with language translation for international customers, wherever relevant. 3M (www.3m.com) has adapted the websites for many countries to local-language versions. It initially focused on the major websites.
- **Highly localised websites.** Country-specific websites with language translation; they also include other localisation efforts in terms of time, date, postcode, currency formats, etc. Dell (www.dell.com) provides highly localised websites.
- **Culturally customised websites.** Websites reflecting complete ‘immersion’ in the culture of target customer segments; as such, targeting a particular country may mean providing multiple websites for that country depending on the dominant cultures present. Durex (www.durex.com) is a good example of a culturally customised website.

The imperative for improving translation is clear from the demand of non-English speakers around the world. At the same time, today’s businesses are continuously creating more content, in more systems, in more languages, and with more rapid development cycles.

Achieving scalable translation efforts that impact revenue growth is complex, with many factors that need to be considered. It's also potentially costly to scale with more systems, more languages and shorter turnaround times and smaller budgets. So, being clear on the drivers and challenges from the outset is important to building a realistic business case and ROI model.

Deciding on the degree of localisation is a difficult challenge for managers since while it has been established that local preferences are significant, it is often difficult to balance localisation costs against the likely increase or conversion rate through localisation.

Different international markets will vary in scale and product revenue, so a 'one size fits all' model of translation will not be cost effective for most businesses. Instead, a localisation strategy is about prioritising what types of content to translate and which translations method to use to get the business outcomes needed most cost-effectively.

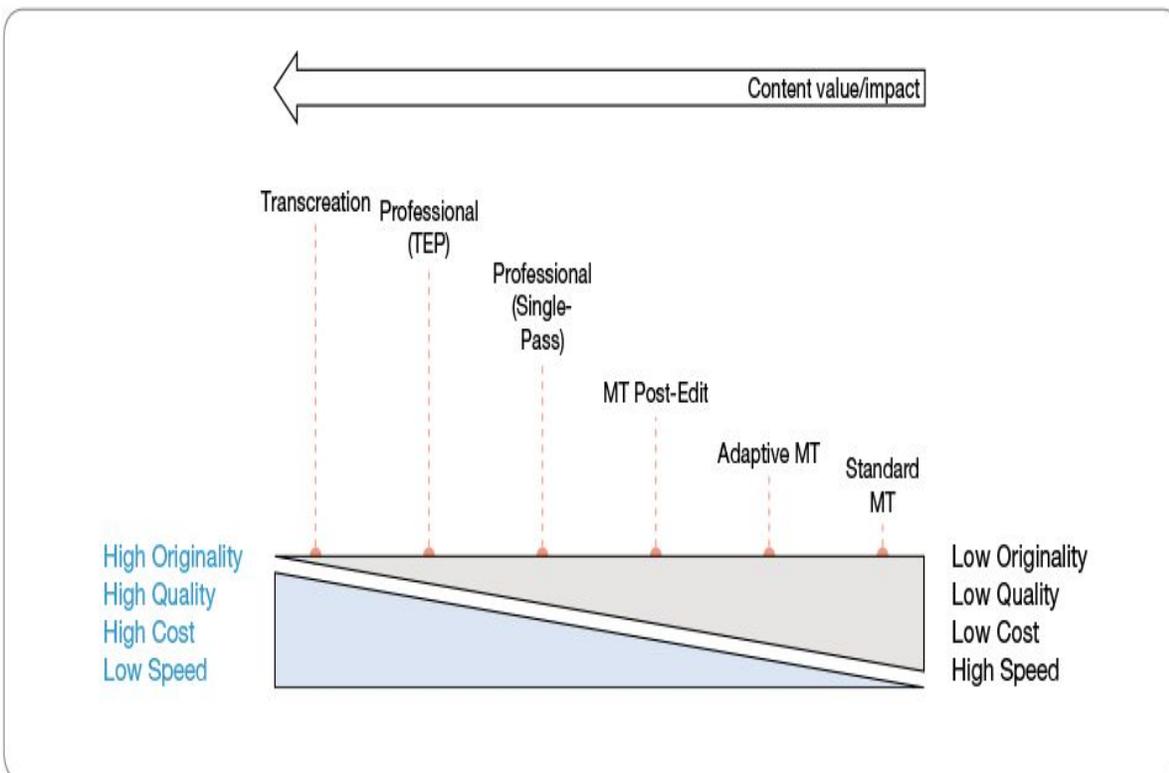
These are five core translation techniques businesses have to prioritise for different content types. They are listed in order of decreasing cost:

1. **Transcreation.** This is one-part creative copywriting and one-part traditional translation. Practitioners still transfer a message from one language to another, but they have more freedom to modify the details along the way. As a result, the final product usually looks more like a creative interpretation than an exact replication of its source content.
2. **Professional translation.** This is the model most people picture when they first consider translating a business website. Customers send their source content to translation agencies or freelance professionals, and expert linguists produce the most accurate adaptation possible. In many cases, businesses will also elect to have an editor and proofreader review the translator's work. This quality-conscious workflow is commonly known as TEP (Translate-Edit-Proofread), and it has become the default strategy for customers who prioritise precise communication over affordability or speed.
3. **Machine translation.** Computers will never fully replicate the endless subtleties of human communication, but they're certainly making progress. Statistical models, rule-based systems and neural networks are generating vast reserves of Artificial Intelligence that customers can leverage to produce credible linguistic translations without any human intervention. No other translation type can rival the speed of this automated approach.

And machine translation (MT) engines offer dramatic cost savings over human professionals. But, computers are not known for their creativity. And despite the promise of future improvements, MT cannot consistently match the quality of human professionals.

4. **Machine translation post-editing.** If machine translation is the automated counterpart to single-pass professional translation, then machine translation post-editing is the computer-aided cousin of professional TEP. An MT engine takes the place of a human translator, but human reviewers are still there to elevate its output to a more acceptable standard of quality.
5. **Adaptive machine translation.** What would happen if humans and machines acted less like rivals and more like complementary partners? Well, adaptive MT is one of several innovative ideas currently pushing the translation industry in that direction. Adaptive MT engines study the linguistic decisions of human translators and post-editors, continuously learning correct terminology that can be used in their next MT output. As a result, each new translation request assigned to the MT engine is completed with a progressively higher standard of proficiency.

Figure 7.11 The continuum of translation types



Source: Chaffey (2017)

Table 7.2 Scalable translation drivers and challenges

Opportunity: scalable translation drivers	Challenges of scalable translation
Reduced time to market enabling more selling time for new markets and new products	Prioritising translation for greatest impact
Higher conversion rates via more persuasive and compelling localised messaging	Achieving cost and efficiency savings
Demand generation through organic search and content marketing	Maintaining precision and minimising copy-and-paste mistakes
Increased smartphone adoption worldwide	Measuring and reporting translation effectiveness
Automated workflows reduce time spent on managing localisation	Updating content sufficiently and quickly

[Figure 7.11](#) and [Table 7.2](#) summarise how these different translation options form a continuum based on resource constraints.

In a survey published in *Multilingual* (2008), localisation was seen as important with 88 per cent of managers at multinational companies stating that localisation is a key issue and 76 per cent of them saying that it is important specifically for international customer satisfaction. Yet over half of these respondents also admitted that they allocate only between 1 per cent and 5 per cent of their overall budget for localisation.

An indication of the importance of localisation in different cultures has been completed by Nitish *et al.* (2006) for the German, Indian and Chinese cultures, assessing localised websites in terms not only of content, but cultural values such as collectivism, individualism, uncertainty avoidance and masculinity. The survey suggests that without cultural adaptation, confidence or flow decreased – thus resulting in lower purchase intent.

A further aspect of localisation to be considered is search engine optimisation (see [Chapter 9](#)), since sites that have local-language versions will be listed more prominently within the search engine results pages for local versions of the search engines. Many specialist companies have been created to help manage

these content localisation issues for companies – for example, agency WebCertain™ maintains a forum advising on localisation (www.multilingual-seo.com).

Reviewing competitors' websites

Benchmarking of competitors' websites is vital in positioning a website to compete effectively with competitors that already have websites. Given the importance of this activity, criteria for performing benchmarking have been described in Chapters 2 and 4.

Benchmarking should not only be based on the obvious tangible features of a website such as its ease of use and the impact of its design. Benchmarking criteria should include those that define the companies' marketing performance in the industry and those that are specific to web marketing, as follows:

- **Financial performance (available from About Us, investor relations and electronic copies of company reports).** This information is also available from intermediary sites such as finance information or share dealing sites such as Bloomberg (www.bloomberg.com) for major quoted companies.
- **Conversion efficiency.** Sites can be compared to published results of average conversion rates (see, for example, SmartInsights.com).
- **Marketplace performance.** Market share and sales trends and, significantly, the proportion of sales achieved through the Internet. This may not be available directly on the website, but may need the use of other online sources. For example, new entrant to European aviation easyJet (www.easyjet.com) achieved over two-thirds of its sales via the website and competitors needed to respond to this.
- **Business and revenue models (see Chapter 5).** Do these differ from other marketplace players?
- **Marketplace positioning.** The elements of the marketing mix covered in Chapter 5, including Product, Pricing and Place.
- **Marketing communications techniques.** Is the customer value proposition of the site clear? Does the site support all stages of the buying decision from customers who are unfamiliar with the company through to existing customers? Are special promotions used on a monthly or periodic basis? Beyond the competitor's site, how do they promote their site? How do they make thorough use of intermediary sites to promote and deliver their services?

- **Services offered.** What is offered beyond brochureware? Is online purchase possible? What is the level of online customer support and how much technical information is available?
- **Implementation of services.** These are the practical features of site design that are described in this chapter, such as aesthetics, ease of use, personalisation, navigation, availability and speed.

A review of corporate websites suggests that, for most companies, the type of information that can be included on a website will be fairly similar. Many commentators make the point that some sites miss out the basic information that someone who is unfamiliar with a company may want to know, such as:

- *Who are you?* ‘About Us’ is now a standard menu option.
- *What do you do?* What products or services are available?
- *Where do you do it?* Are the products and services available internationally?
- *What makes you different?* Why should I use your site/services compared to your competitors’? This includes communicating the online value proposition (OVP) (see [Chapter 4](#)).

Designing the information architecture

Rosenfeld and Morville (2002) emphasised the importance of **information architecture** to an effective website design. They said:

It is important to recognise that every information system, be it a book or an intranet, has an information architecture. ‘Well developed’ is the key here, as most sites don’t have a planned information architecture at all. They are analogous to buildings that weren’t architected in advance. Design decisions reflect the personal biases of designers, the space doesn’t scale over time, technologies drive the design and not the other way around.

Information architecture

The combination of organisation, labelling and navigation schemes constituting an information system.

In their book, which is still the basis for good practice in web design, Rosenfeld and Morville (2002) give these alternative definitions of information

architecture:

1. the combination of organisation, labelling and navigation schemes within an information system;
2. the structural design of an information space to facilitate task completion and intuitive access to content;
3. the art and science of structuring and classifying websites and intranets to help people find and manage information;
4. an emerging discipline and community of practice focused on bringing principles of design and architecture to the digital landscape.

In practice, information architecture involves creating a plan to group information logically – it involves creating a site structure that is often represented as a **site map**. A well-developed information architecture is very important to usability since it determines navigation options and **findability** (Morville, 2005). [Mini case study 7.5](#) about travel company Thomson shows how research to improve findability, and in particular through optimising on-site search engines, can yield major benefits to site owners.

Site map

A graphical or text depiction of the relationship between different groups of content on a website.

Findability

Supporting users to locate the content or offers they are looking for through search engines or when browsing or searching on a site.

A planned information architecture is essential to large-scale websites such as transactional e-commerce sites, media owner sites and relationship-building sites that include a large volume of product or support documentation. Information architectures are less important to small-scale websites and brand sites, but even here the principles can be readily applied and can help make the site more visible to search engines and more usable. It is also important for search engine optimisation ([Chapter 8](#)), since it determines how different types of content that users may search for are labelled and grouped.

The benefits of creating an information architecture include:

- A defined structure and categorisation of information will support user and organisation goals, i.e. it is a vital aspect of usability.
- It helps increase ‘flow’ on the site – a user’s mental model of where to find content should mirror that of the content on the website.
- Search engine optimisation – a higher listing in the search rankings can often be used through organising and labelling information in a structured way.
- Applicable for integrating offline communications – offline communications such as ads or direct mail can link to a product or campaign landing page to help achieve direct response, sometimes known as ‘web response’. A sound URL strategy (as explained in [Chapter 8](#)) can help this.
- Related content can be grouped to measure the effectiveness of a website as part of design for analysis, which is also explained below.

Card sorting

Card sorting is a way in which users can become actively involved in the development process of information architecture.

Mini case study 7.6: Travel company Thomson improves findability through analytics and user feedback

This case study of TUI travel company Thomson highlights the importance of site search. It is based on a presentation by Sandra Leonhard, head of e-commerce.

When Thomson calculates improvements derived from usability, two of the main measures used are:

‘Look to Book%’ = Number of bookings/Unique users

‘Search to Book%’ = Number of bookings/Number of unique searches.

Below is usability testing and customer feedback obtained as part of the project to optimise search. Customers tend to be frank – these are some examples of the direct feedback you can get from tests like these, which can be used to refine messaging and usability on a site to improve results:

- **‘Your search and book could allow a range of dates and selection of details from all brochures. A dropdown for regional airports would help.’**

- ‘Search would be better if you could input destinations relevant to your departure airport.’
- ‘It won’t let me select any destination in search.’
- ‘This is my third try. It will not show me anything!!! Useless site.’
- ‘Search facility restricted to brochure. I wanted to search for any holidays within a date period but I had to state a destination – why when I wanted a good deal to any destination.’
- ‘I find the website appalling to search for a holiday due to the fact that it appears to search in a very specific manner. I always get the message “sorry we aren’t able...” I booked through <a competitor> instead.’

Basic analytics showed the scope for improvement and the optimisation project delivered this. Although these problems have now been resolved, we have included this example since many sites have not been optimised in this way.

Card sorting is a useful approach, since websites are frequently designed from the perspective of the designer rather than the information user, leading to labels, subject grouping and categories that are not intuitive to the user. **Card sorting or web classification** should categorise web objects (e.g. documents) in order to facilitate information task completion or information goals the user has set.

Card sorting or web classification

The process of arranging a way of organising objects on the website in a consistent manner.

Robertson (2003) explains an approach to card sorting that identifies the following questions when using the technique to aid the process of modelling web classification systems:

- Do the users want to see the information grouped by subject, task, business or customer groupings, or type of information?
- What are the most important items to put on the main menu?
- How many menu items should there be, and how deep should it go?
- How similar or different are the needs of the users throughout the organisation?

Selected groups of users or representatives will be given index cards with the following written on them, depending on the aim of the card sorting process:

- types of documents;
- organisational key words and concepts;

- document titles;
- descriptions of documents;
- navigation labels.

The user groups may then be asked to:

- group together cards that they feel relate to each other;
- select cards that accurately reflect a given topic or area;
- organise cards in terms of hierarchy – high-level terms (broad) to low-level terms.

At the end of the session the analyst must take the cards away and map the results into a spreadsheet to find out the most popular terms, descriptions and relationships. If two or more different groups are used, the results should be compared and reasons for differences should be analysed.

Blueprints

According to Rosenfeld and Morville (2002), **blueprints**:

show the relationships between pages and other content components, and can be used to portray organisation, navigation and labelling systems.

Blueprint

Shows the relationships between pages and other content components, and can be used to portray organisation, navigation and labelling systems.

They are often thought of, and referred to, as ‘site maps’ or ‘site structure diagrams’ and have much in common with these, except that they are used as a design device clearly showing groupings of information and linkages between pages, rather than a page on the website to assist navigation.

Refer to [Figure 7.12](#) for an example of a site structure diagram for a toy manufacturer website, which shows the groupings of content and also an indication of the process of task completion.

Wireframes

A related technique to blueprints is the **wireframes** that are used by web designers to indicate the eventual layout of a web page. They can also be readily used by students to suggest top-level changes to websites as part of

assignments. [Figure 7.13](#) shows that the wireframe is so called because it just consists of an outline of the page with the ‘wires’ of content separating different areas of content or navigation shown by white space.

Wireframe

Also known as ‘schematics’, a way of illustrating the layout of an individual web page.

Wodtke (2002) describes a wireframe (sometimes known as a ‘schematic’) as:

a basic outline of an individual page, drawn to indicate the elements of a page, their relationships and their relative importance.

A wireframe will be created for all types of similar page groups, identified at the blueprint (site map) stage of creating the information architecture.

Wireframes are then transformed into physical **site design page templates**, which are now traditionally created using standardised **cascading style sheets (CSS)** that enable a standard look and feel to be enforced across different sections of the site. Complete [Activity 7.3](#) to see the power of using CSS.

Site design page template

A standard page layout format that is applied to each page of a website. Typically defined for different page categories (e.g. category page, product page, search page).

Cascading style sheets (CSS)

A simple mechanism for adding style (e.g. fonts, colours, spacing) to web documents. CSS enables different style elements to be controlled across an entire site or section of site. Style elements that are commonly controlled include typography, background colour and images, and borders and margins.

The standards body W3C (www.w3.org) defines cascading style sheets as:

a simple mechanism for adding style (e.g. fonts, colours, spacing) to Web documents.

CSS enable different style elements to be controlled across an entire site or section of site. Style elements that are commonly controlled include:

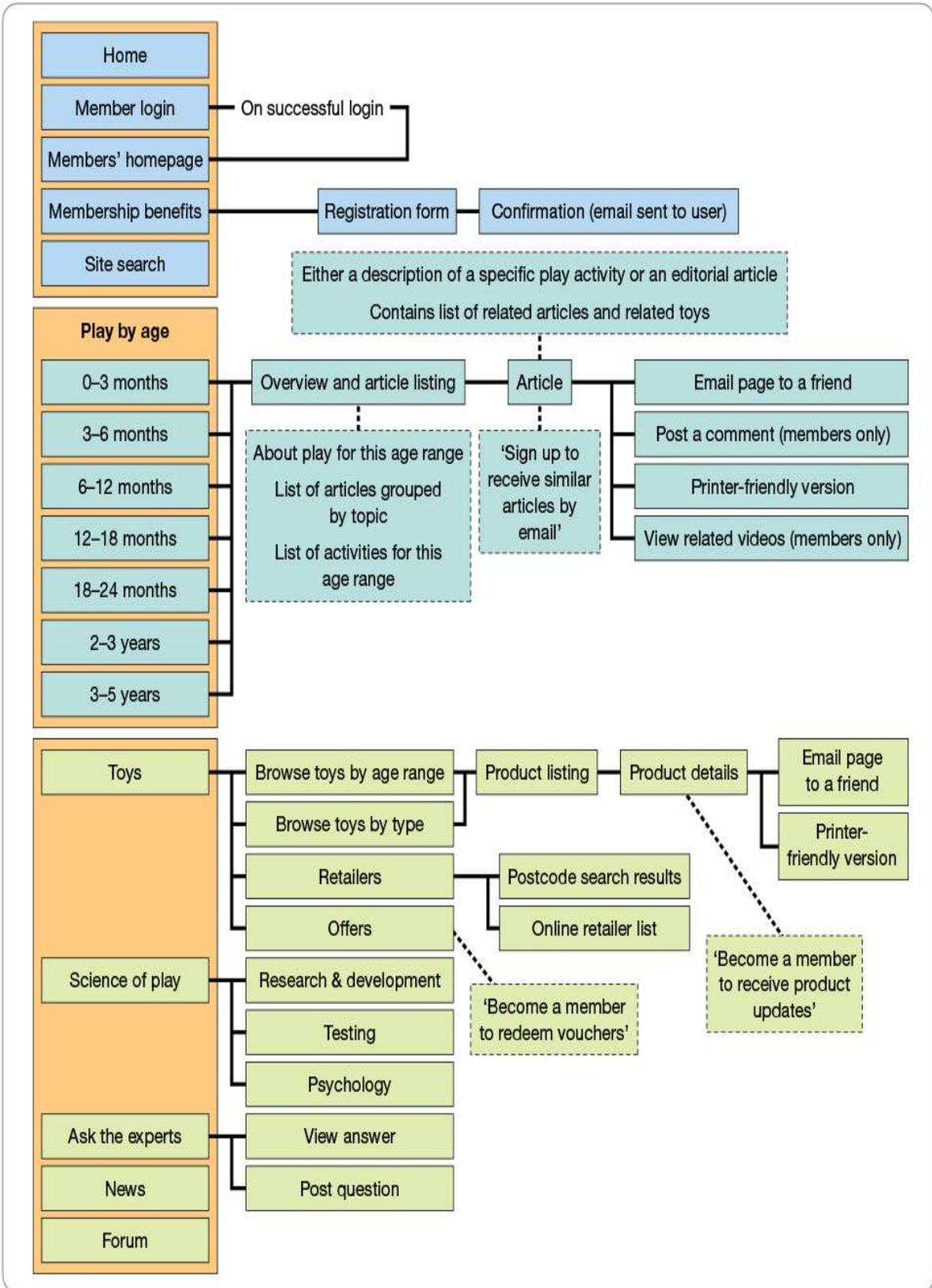
- typography;

- background colour and images;
- borders and margins.

For example, CSS will use this syntax to enforce the standard appearance of body copy on a site:

```
body {  
  margin:0;  
  padding:0;  
  colour:#666666;  
  background-colour:#f3f3f3;  
  font-family: Arial, 'Trebuchet MS', Verdana;  
  font-size: 70%;  
  background-repeat:repeat-x;  
  background-position:top;  
}
```

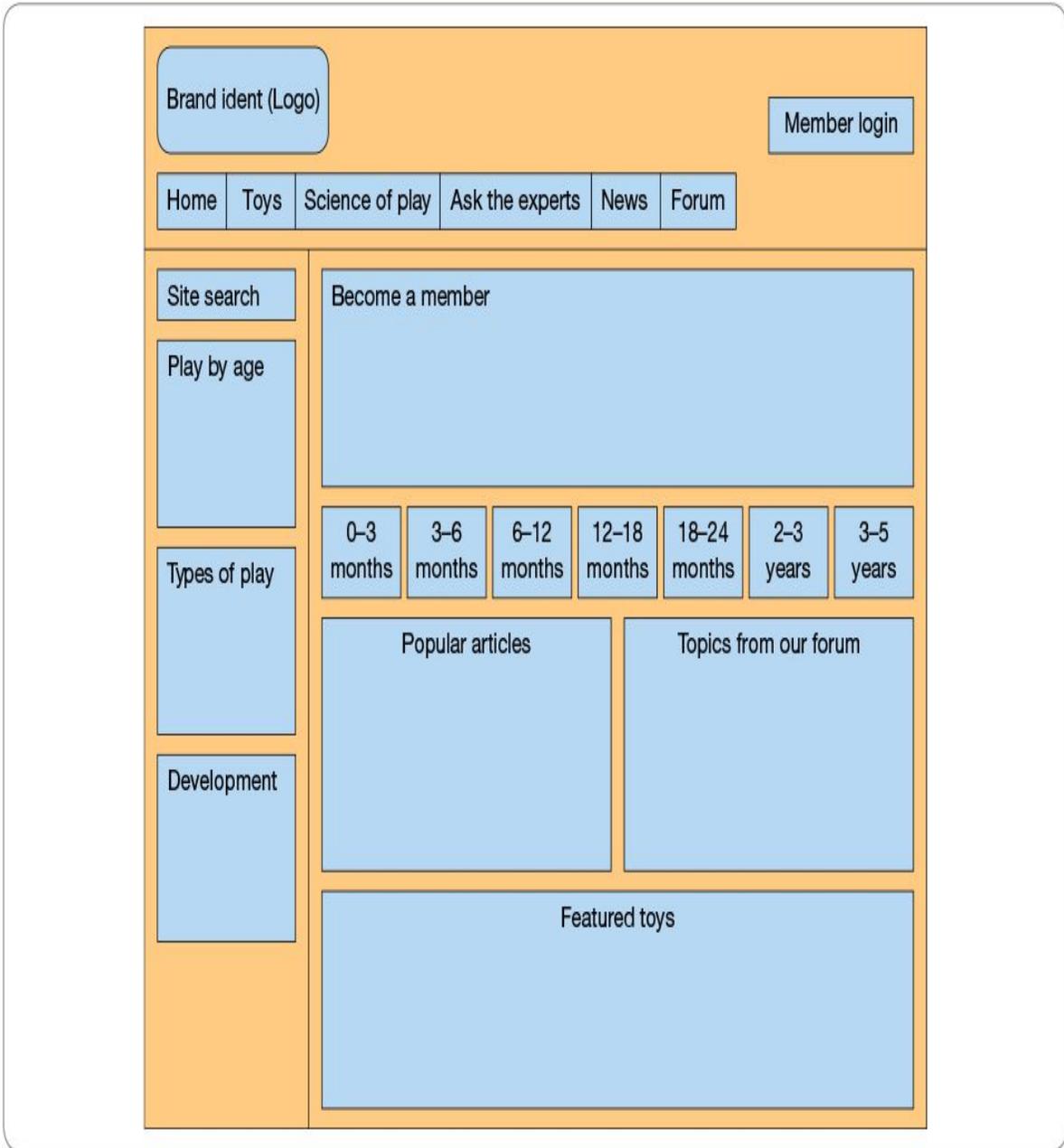
Figure 7.12 Site structure diagram (blueprint) showing layout and relationships between pages



The benefits of CSS are:

- **Bandwidth.** Pages download faster after initial page load since style definitions only need to be downloaded once as a separate file, not for each page.
- **More efficient development.** Through agreeing site style and implementing in CSS as part of page templates, it is more efficient to design a site.
- **Reduces updating and maintenance time.** Presentational markup is stored in one place separate from the content, making it quicker to update the site globally with less scope for errors.
- **Increased interoperability.** By adhering to W3C recommendations, it helps with the support of multiple browsers.
- **Increases accessibility.** Users can more readily configure the way a site looks or sounds using browsers and other accessibility support tools. The site is more likely to render on a range of access platforms such as PDAs and smartphones.

Figure 7.13 Example wireframe for a children's toy site



Activity 7.3: Using CSS to separate site content from design

Visit CSS ZenGarden (www.csszengarden.com), which shows how CSS can be used to separate content from how it is presented. You can select different designs to see how the new design changes radically as different styles are applied.

Landing pages

Deciding on the page template design for different forms of **landing pages** is particularly important for site owners seeking to maximise conversion rate since many first-time visitors don't arrive on the home page, they arrive deeper in the site from search engines or links from other sites. Chaffey and Smith (2012) suggest the following are typical aims and corresponding questions to consider for increasing landing page conversion rate:

- **Aim 1 – Generate response (online lead or sale and offline callback).** Does the page have a prominent call-to-action, such as a prominent button above the fold; and repeated in text and image form?
- **Aim 2 – Engage different audience types (reduce bounce rate, increase value events, increase return rate).** Does the page have a prominent headline and subheads showing the visitor is in the right place? Does the page have scent-trail trigger messages, offers or images to appeal to different audiences? For example, Dell has links on its site to appeal to consumers and different types of businesses. A landing page containing form fields to fill in is often more effective than an additional click, since it starts committed visitors on their journey.
- **Aim 3 – Communicate key brand messages (increase brand familiarity and favourability).** Does the page clearly explain who you are, what you do, where you operate and what makes you different? Is your online value proposition compelling? Do you use customer testimonials or ratings to show independent credibility? To help with this, use run-of-site messages (on all pages) across the top of the screen or in the left or right sidebars.
- **Aim 4 – Answer the visitor's questions (reduce bounce rates, increase conversion rates).** Different audiences will want to know different things. Have you identified personas ([Chapter 4](#)) and do you seek to answer their questions? Do you use FAQ or messages that say 'New to company'?
- **Aim 5 – Showcase range of offers (cross-sell).** Do you have recommendations on related or best-selling products and do you show the full range of your offering through navigation?
- **Aim 6 – Attract visitors through search engine optimisation (SEO).** How well do you rank for relevant search terms compared to competitors? Do your navigation, copy and page templates indicate relevance to search engines through on-page optimisation?

Landing page

An entrance page to the site when a user clicks on an ad or other form of link from a referring site. It can be a home page but more typically, and desirably, a landing page is a page with the messaging focused on the offer in the ad. This will maximise conversion rates and brand favourability.

Blueprints illustrate how the content of a website is related and navigated, while a wireframe focuses on individual pages; with a wireframe the navigation focus becomes where it will be placed on the page. Wireframes are useful for agencies and clients to discuss the way a website will be laid out without getting distracted by colour, style or messaging issues, which should be covered separately as a creative planning activity.

The process of reviewing wireframes is sometimes referred to as **storyboarding**, although the term is often applied to reviewing creative ideas rather than formal design alternatives. Early designs are drawn on large pieces of paper, or mock-ups are produced using a drawing or paint program.

Storyboarding

The use of static drawings or screenshots of the different parts of a website to review the design concept with user groups. It can be used to develop the structure – an overall ‘map’ with individual pages shown separately.

At the wireframe stage, emphasis is not placed on use of colour or graphics, which will be developed in conjunction with branding or marketing teams and graphic designers and integrated into the site after the wireframe process.

According to Chaffey and Wood (2010), the aim of a wireframe will be to:

- integrate consistently available components on the web page (e.g. navigation, search boxes);
- order and group key types of components together;
- develop a design that will focus the user onto core messages and content;
- make correct use of white space to structure the page;
- develop a page structure that can be easily reused by other web designers.

Common wireframe or template features you may come across are:

- navigation in columns on left or right and at top or bottom;
- header areas and footer areas;
- containers, ‘slots’ or ‘portlets’ – these are areas of content such as an article or list of articles placed in boxes on the screen; often slots will be dynamically populated from a content management system;
- containers on the homepage may be used to:
 - summarise the online value proposition;
 - show promotions;
 - recommend related products;
 - feature news, etc.;
 - contain ads.

Designing the user experience

Once analysis has determined the business and user needs for a site, the site can be designed. The **design phase** is critical to a successful website since it will determine the quality of experience users have of a site; if they have a good experience they will return, if not they will not! A ‘good experience’ is determined by a number of factors such as those that affect how easy it is to find

information – for example, the structure of the site, menu choices and searching facilities. It is also affected by less tangible factors such as the graphical design and layout of the site.

Design phase

The design phase defines how the site will work in the key areas of website structure, navigation and security.

As mentioned at the start of the chapter, design is not solely a paper-based exercise, but needs to be integrated into the prototyping process. The design should be tested by review with the client and customer to ensure it is appropriate. Since the main reason given for returning to a website is high-quality content, and content affects conversion too, it is important to determine, through analysis, that the content is correct. However, the quality of content is determined by more than the text copy. It is important to achieve high-quality content through design. Nigel Bevan (1999a) says:

Unless a website meets the needs of the intended users it will not meet the needs of the organisation providing the website. Website development should be user-centred, evaluating the evolving design against user requirements.

How can this customer-orientated or user-centred content be achieved? **User-centred design** starts with understanding the nature and variation within the user groups. According to Bevan (1999a), key issues to consider that are still fundamental for digital experiences, whether desktop or mobile site, app or social network company page, include:

- Who are the important users?
- What is their purpose for accessing the site?
- How frequently will they visit the site?
- What experience and expertise do they have?
- What nationality are they? Can they read your language?
- What type of information are they looking for?
- How will they want to use the information: read it on the screen, print it or download it?
- What type of browsers will they use? How fast will their communication links be?
- How large a screen or window will they use, with how many colours?

User-centred design

Design based on optimising the user experience according to all factors, including the user interface, that affect this.

Rosenfeld and Morville (2002) suggest four stages of site design that also have a user-centred basis:

1. Identify different audiences.
2. Rank importance of each to the business.
3. List the three most important information needs of audience.
4. Ask representatives of each audience type to develop their own wish lists.

We noted in [Chapter 2](#) that customer persona and scenario analysis is a powerful technique of understanding different audiences, which can be used to inform and test website design that looks at additional factors from those in the lists above, such as device usage, location and context of usage and integration with other online services including social media.

Evaluating designs

A test of effective design for usability is dependent on three areas, according to Bevan (1999b):

- **Effectiveness:** can users complete their tasks correctly and completely?
- **Productivity (efficiency):** are tasks completed in an acceptable length of time?
- **Satisfaction:** are users satisfied with the interaction?

Elements of site design

Once the requirements of the user and marketer are established, we turn our attention to the design of the human–computer interface. Nielsen (2000) structures his book on web usability according to three main areas, which can be interpreted as follows:

1. **Site design and structure** – the overall structure of the site.
2. **Page design** – the layout of individual pages.
3. **Content design** – how the text and graphic content on each page is designed.

There is also the additional area of branding and messaging, which is a key part of persuasion, as explained earlier in this chapter.

Site design and structure

The structures created by designers for websites will vary greatly according to their audience and the site's purpose, but we can make some general observations about common approaches to site design and structure and their influence on consumers. These are often known as 'best-practice principles of website design' and in this section we will summarise some of the main factors. Of course, there are exceptions to such rules of thumb or 'heuristics', but often a design approach that works on one type of site will work on another, particularly if it is a common feature across the majority of sites.

Rosen and Purinton (2004) assessed the design factors that influence a consumer (based on questionnaires of a group of students). They believe there are some basic factors that determine the effectiveness of an e-commerce site. They group these factors as follows:

- **Coherence:** simplicity of design, easy to read, use of categories (for browsing products or topics), absence of information overload, adequate font size, uncrowded presentation.
- **Complexity:** different categories of text.
- **Legibility:** use of 'mini home page' on every subsequent page, same menu on every page, site map.

You can see that these authors suggest that simplicity in design is important. Another example of research into website design factors supports the importance of design. Fogg *et al.* (2003) asked students to review sites to assess the credibility of different suppliers based on the website design. They considered these factors most important:

Design look	46.1%
Information design/structure	28.5%
Information focus	25.1%
Company motive	15.5%
Usefulness of information	14.8%
Accuracy of information	14.3%
Name recognition and reputation	14.1%

Advertising	13.8%
Bias of information	11.6%
Tone of the writing	9.0%
Identity of site sponsor	8.8%
Functionality of site	8.6%
Customer service	6.4%
Past experience with site	4.6%
Information clarity	3.7%
Performance on a test	3.6%
Readability	3.6%
Affiliations	3.4%

However, it should be borne in mind that such generalisations can be misleading based on the methodology used. Reported behaviour (e.g. through questionnaires or focus groups) may be quite different from actual observed behaviour. Leading e-retail sites (for example [Amazon.com](https://www.amazon.com) and [eBay.com](https://www.ebay.com)) and many media sites typically have a large amount of information and navigation choices available on-screen since the site designers know from testing alternative designs that consumers are quite capable of finding content relevant to them, and that a wider choice of links means that the user can find the information they need without clicking through a hierarchy. When performing a real-life product search, in-depth information on the products and reviews of the product are important in making the product decision and are one of the benefits that online channels can give. Although design look is top of the list of factors presented by Fogg *et al.* (2003), you can see that many of the other factors are based on the quality of information.

In the following coverage, we will review the general factors that designers consider in designing the style, organisation and navigation schemes for the site.

Site style

An effective website design will have a style that is communicated through use of colour, images, typography and layout. This should support the way a product is positioned or its brand.

Site personality

The style elements can be combined to develop a personality for a site. We could describe a site's personality in the same way we can describe people, such as 'formal' or 'fun'. This personality has to be consistent with the needs of the target audience. A business audience often requires detailed information and prefers an information-intensive style, such as that of the Cisco™ site (www.cisco.com). A consumer site is usually more graphically intensive. Before the designers pass on their creative designs to developers, they also need to consider the constraints on the user experience, such as screen resolution and colour depth, browser used and download speed.

Visual design

Despite modern browsers and broadband access, graphic design of websites still represents a challenge since designers of websites are severely constrained by a number of factors:

- **The speed of downloading graphics:** designers still need to allow for page download speed, as we explained earlier in the chapter.
- **The screen resolutions of the computer:** designing for different screen resolutions is particularly important today with the range of resolutions from smartphone to tablet to desktop.
- **The number of colours on screen:** the colour palettes available on web browsers.
- **The type of web browser used:** different browsers, such as Google Chrome, Microsoft Internet Explorer IE™ and Apple Safari™, and different versions of browsers, such as IE8.0 or 9.0, may display graphics or text slightly differently or may support different plug-ins.
- **Different access devices:** with the increase in popularity of mobile and tablet browsers it has become very important to support users of these sites using techniques such as **adaptive web design**.

Adaptive web design

Also known as progressive enhancement, this design technique delivers different layouts and features according to what is supported by browser and screen resolution of the device.

As a result of these constraints, the design of websites is a constant compromise between what looks visually appealing and modern on the most advanced hardware platforms and highest-speed network connections and what works for other systems. This is referred to as the 'lowest common denominator problem',

since this is what the designer has traditionally had to do – design for the old browsers, using slow links and low screen resolutions.

Mobile design requirements and techniques

In [Chapter 2](#) we explained that it's important to research the level of adoption of mobile devices such as smartphones and tablets. For many site types such as social networks and news sites, the proportion of mobile users has been well above 50 per cent for several years. At the time of writing this edition, many retail sites now see more than half of their traffic from mobile and this will naturally increase. So designing websites such that they are effective across desktop and mobile devices is now a key consideration for all businesses. The challenge of the many options for mobile site design has been nicely summarised by ex-eBay designer Luke Wroblewski, as shown later in the chapter in [Digital marketing insight 7.3](#).

We will now review five common options for mobile site development identified by Turner and Chaffey (2013):

- A Simple mobile site** (different content).
- B Screen-scrape** (same content).
- C Responsive design** (same content, different mobile styling).
- D HTML5, PWAs and AMPs** (same content, different mobile styling).
- E Adaptive design** (potentially different content, different styling on different mobile devices).

These are not mutually exclusive – for example, an HTML5 site can typically offer adaptive and responsive design too.

Mobile site design option A. Simple mobile site

The quickest method of creating a mobile site is to create a completely separate mobile site on a domain <http://m.company.com> that has a different design, build, hosting and content. This option may be appropriate for very small businesses looking for a simple mobile site that they don't update frequently, but we would advise this is not a viable long-term option for most companies for these reasons:

- updates to content have to be duplicated across each site;
- different tools and resources are often needed to manage each site;
- future updates to styling have to be duplicated too;
- it may not give a consistent brand experience for users.

Mobile site design option B. Screen-scrape

Although it's not an option we can recommend as best practice, it's worth noting that a number of high-profile retail brands such as ASOS and John Lewis opted for a temporary 'screen-scrape' approach, which involves dropping existing web content into a basic mobile site template without opting for back-end integration. The advantage of the screen-scrape approach is that it presents a quick route to market, and avoids potential conflict between PC web and mobile web developers.

However, consider the widespread disadvantages of screen-scraping when compared with the fully integrated approach, which provides the better long-term solution:

- The screen-scrape option incurs additional time and cost to manage the site, as changes to the back-end CMS will need to be updated manually on the mobile site, rather than benefiting from automatic updates.
- A review of 'screen-scrape' sites reveals an alarming degree of standardisation across the sites, which lack the differentiation brands demand across their PC websites.

Mobile site design option C. Responsive design

Today's multiple-device-using consumers need content in the right format in real time, which presents challenges as the form factor and operating system varies across most of their devices. Enter **Responsive Web Design (RWD)**, which automates the overlay of contextually relevant content matching the profiles of mobile users – allowing you to access social media feeds, loyalty offers and other data feeds triggered by your preferences to maximise engagement and to optimise sales conversion.

Responsive web design (RWD)

Layout and formatting of website content is modified at the point of rendering to suit different screen resolutions and capabilities to produce a better experience to users of a range of desktop, tablet and smartphone devices using web development methods such as CSS and image scaling.

First introduced as a concept in 2010, responsive design is the principle web developer's deploy to design website styling that changes the display layout to suit users of a range of mobile devices using modern web development methods such as CSS and image scaling. Blocks of content are moved and rescaled based on screen resolution, as shown in [Figure 7.14](#).

Responsive design is an increasingly popular approach to building mobile sites since it enables a single version of the site and content to be maintained, which adapts for different resolutions. It was formerly called a ‘fluid design’, since the layout ‘flows’ as resolution is changed (as you change the size of a browser for instance). Contrast this to what we often see when browsing using a smartphone on a non-responsive site: tiny text and difficult-to-select buttons and navigation, which require us to zoom in to select the next page.

Technically speaking, responsive design uses cascading stylesheets, in particular an approach called **media queries**, to specify how the page is laid out based on device type and resolution. (See, for example, Knight (2011) for an introduction to the technical approaches.) This will produce an improved experience for users across a range of devices, but there are limitations such as break points where less common devices may not be supported or sites that aren’t ‘upwardly responsive’ (i.e. high-resolution displays) may be less well supported than lower resolution. Responsive design disadvantages include its being more technically complex to implement and test, which leads to higher costs and a larger codebase (particularly of stylesheets) to load, which can harm page load times. Despite this, it is now implemented for many new sites and site redesigns. The disadvantages of responsive design can be overcome at cost through adaptive design.

Media queries

A styling approach within cascading style sheets (CSS) enabling the layout to change based on type of device at its scale.

Mobile site design option D. HTML5, Progressive Web Apps (PWAs) and Accelerated Mobile Pages (AMPs)

HTML5 blurs the line between sites and apps, and challenges the prominence and cashflow of the appstore hosts. Companies operating in the main sectors who were enthusiastic adopters of mobile, such as retail, packaged goods, travel, financial services and publishing, are turning to HTML5 ‘web apps’ in order to build once and target all mobile platforms at once. This is more cost-effective and less labour-intensive than building different native apps for iOS, Android™, Windows Phone™ and BlackBerry™.

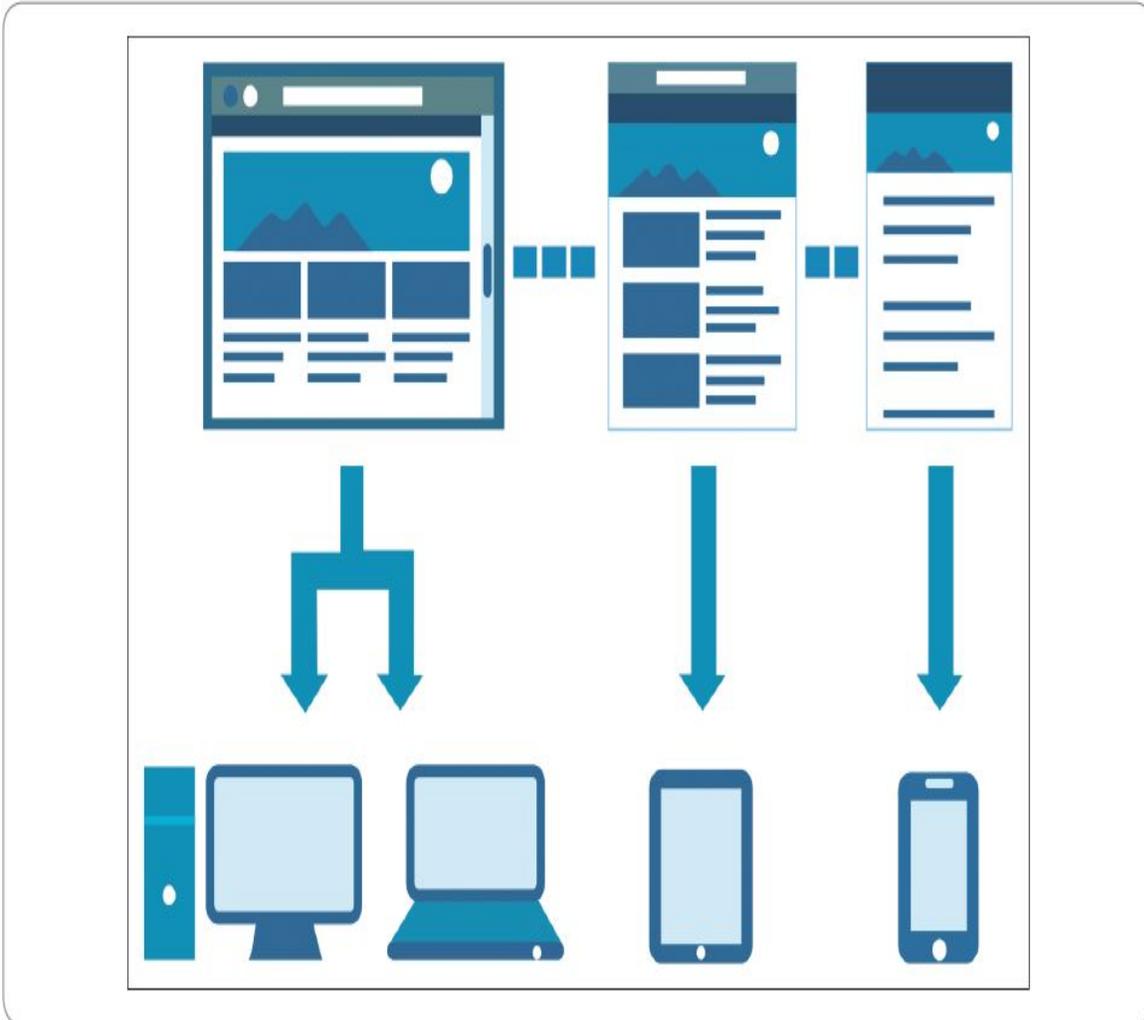
HTML5 web apps allow developers and publishers to circumnavigate the 30 per cent commission charged by Apple and Google on app download costs and a further 30 per cent on products and subscriptions sold ‘in-app’. Both costs can be eliminated with HTML5-based sites.

From the technical perspective, HTML5 apps have some problems that native apps do not. HTML5 apps are typically slower than native apps and it is more costly to support a range of apps. **FT.com** still uses native apps for Android and Windows platforms.

Rob Grimshaw of **FT.com** told *The Guardian* (2013) that switching to HTML5 wasn't just about a spat with Apple, but was an attempt to ensure the FT could scale quickly across different devices and platforms:

The origins of the web app come from thinking more broadly about our mobile strategy, and particularly how we are going to cope with developing for numerous different platforms. There are at least five [native mobile platforms] out there that you reasonably have to cover, and a web app is the obvious solution. We just accelerated it because of some of the things Apple did with their subscriptions.

Figure 7.14 Responsive design showing updated layout for different content blocks



Progressive Web Apps

Progressive Web Apps (PWAs) are a relatively recent innovation that have been supported by Google. Google (2017a) explains the benefits of PWAs and contrasts them to mobile apps like this:

It's not hard to see why leading brands would embrace PWAs. They realize the need to provide the best mobile experience for users – regardless of platform. PWAs eliminate friction by using the web to deliver app-level experiences. There's no need for consumers to find apps in the app store and install them – they can just navigate to the site on any browser, including Chrome and Safari. PWA techniques focus on reliably loading faster (even working offline) and using less data.

Progressive Web Apps (PWAs)

A website development technique that combines the benefits of web and mobile apps, enabling users to install web apps to their home screen, receive push notifications and potentially work offline.

PWAs were first introduced in 2015 and they were often used in countries that suffer from poor internet connectivity, such as China and India. Google (2017a) shows the importance of fast download speed, stating that 53 per cent of mobile visits are abandoned if a site takes longer than three seconds to load.

MakeMyTrip™, a travel booking site in India, launched a PWA to offer all Indian smartphone users an effective and reliable mobile booking experience regardless of time, location or network availability. The company saw overall conversion rates triple and a 160 per cent increase in shopper sessions. [Alibaba.com](#), the world's largest online business-to-business trading platform, saw a 76 per cent rise in conversions and four-times higher interaction rate after it upgraded its mobile site to a PWA. Beauty brand Lancôme™ saw a 53 per cent increase in session length and its bounce rates have dropped by a full 10 per cent among iPhone users.

Accelerated Mobile Pages (AMPs)

In August 2016, Google announced that these faster-loading page formats would appear in all search results, not just news results, and so they have become more relevant for all businesses – beyond publishers for who they were most relevant initially as an alternative to the Facebook Instant Articles format. **Accelerated mobile pages (AMPs)** load fast since they have less styling and are loaded directly from Google's servers rather than the publisher's servers. You can see the importance that Google gives to AMP as a method of decreasing page download in this quote from David Besbris (Accelerated Mobile Project, 2017), who is the VP of Google Search and is also the AMP Project Lead. He says:

In two years, we've seen the project grow from a few launch partners to over 25 million website domains that have published more than 4 billion AMP pages. And not only has the number of pages built with AMP grown, their speed has too. The median time it takes an AMP page to load from Google search is less than half a second.

Accelerated Mobile Pages (AMPs)

A standard to increase page download speed on mobile devices, the AMP framework consists of three components: AMP HTML, which is a standard HTML with web components; AMP JavaScript, which manages resource loading; and AMP caches, which can serve and validate AMP pages.

AMPs can often be implemented using plug-ins and extensions available from content management systems. For example, WordPress™ has plug-ins to implement these. Different interaction options are available within the standard, e.g. for email signup, which related closely to PWAs.

Mobile site design option E. Adaptive design

The **adaptive mobile web design** is a hybrid approach combining different client- and server-based logic to give the best performance with the best experience on priority devices without the speed limitations of the responsive approach. The approach is contrasted with responsive web design in [Table 7.3](#). You can see that by only serving code and styling needed for a specific mobile device, the approach can result in a faster experience, although development times and costs can be higher, so it is an approach best suited to the largest businesses.

Adaptive mobile web design
 Generally a more sophisticated approach than responsive web design that involves delivering an experience optimised for targeted handsets, and splits the code and processing to render on different devices between the client and the server.

Table 7.3 A summary of the advantages and disadvantages of different options for mobile-optimised websites

	Approach	Advantages	Disadvantages
Responsive web design (RWD)	CSS media queries modify presentation for device resolution	Single template for all devices gives speed and cost benefits	Bigger page weight Compromises experience for higher resolutions
Client-side Adaptive	Javascript on the user’s device loads different templates based on device resolution	Complete rebuild of CSS not needed Only resources needed loaded onto client Experience customised for devices	Maintenance of additional code
Server-side	Dynamic serving of styles	Smaller mobile	Multiple

Adaptive	based on device detection	pages than other approaches	templates must be maintained
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Mobile app development and personalisation requirements

Separate from mobile-optimised website approaches, mobile apps are a further option that must be considered separately for creating more personalised experiences. While most would agree that a website available via a mobile browser is essential, it's not clear whether a dedicated **mobile app** is essential for all but the larger organisations, particularly with the development of responsive and adaptive website design.

Mobile app

Designed to run on smartphones and tablet computers, apps provide users with rich mobile content by deploying the handset's multiple native capabilities. Apps are available for download from app stores hosted by the mobile operating systems (e.g. iTunes for iOS, Google Play™ for Android, Microsoft App Store, BlackBerry® App World).

Arguments for the creation of mobile apps are persuasive, in that, for many B2C sites, in most countries there are more mobile site visitors than desktop visitors. Furthermore, more than 90 per cent of consumers' mobile time is spent using apps, yet often this is spent in activities such as checking social media, email or news rather than using shopping or brand apps.

However, this doesn't mean that every existing business should have an app, since a mobile responsive site may be sufficient – as discussed in [Digital marketing insight 7.3: Taking the mobile site vs app decision](#).

For new startup businesses without an existing site or user base it may be the case that the new business centres on a mobile app, and that a desktop app may not be necessary. Some sectors, such as financial services, are well suited to a mobile-app-only-centred experience, which reduces the cost of creating and maintaining the platform. Here are some examples:

- app-only banks, for example Atom™, Monzo™, Tandem™ (UK), N26™ (Germany), Moven™ and Simple™ (US) and DBS Digibank™ (India);
- apps for price comparison based on scanning when on the move – for example, ShopSavvy™, Purchx™ and BuyVia™ (US);
- gaming apps;

- business communications apps (e.g. Slack™, and Basecamp™), with desktop app options also available.

Differences between mobile app design and development

The sequence of stages for app development is similar to that for website design shown at the start of the chapter. Yet, there are some key differences to consider:

- Context of use is different, with mobile apps often accessed ‘on the go’ in expectation that using the app will be quick
- Separate versions need to be created for the two main alternative device operating systems, which have their own store (Google Play for Android OS and Apple App Store for Apple iOS).
- Each operating system has standard design elements, for example for form fields and buttons, which means that less creativity is possible within the interface.
- Mobile operating systems tend to be updated more frequently than desktop operating systems, meaning that more updates are required and app makers receive reviews for each version, thus creating more of a challenge of keeping up to date.

All of these combine to typically give a simpler, more functional design for mobile apps.

Mobile apps featuring personalisation share many of the features of personalised websites. A personalised mobile app site has the benefit that specific features can be developed for mobile users based on their context and behaviour, such as location. This is not usually the case with a basic responsive web design approach. Back-end integration enabling linkage to individual customer records can be used to build bespoke sites that match the profile of each user.

How IoT, VR and AR experiences will integrate with M2M interactions

The **Internet of things (IoT)**, coupled with **machine-to-machine (M2M)** interactions, promises to bring the connectivity of the Internet into every facet of our lives. These systems should make our devices and homes smarter and more efficient. More products will become IoT enabled; for example, an agreement between IoT provider EVERYTHING and label provider Avery Dennison will see at least 10 billion apparel and footwear products to market over 36 months as web-ready #BornDigital physical products (EVERYTHING, 2017). This promises

to be a revolution on a par with the original connectivity revolution that the Internet has unleashed over the past twenty years. See [Mini case study 7.7](#) for a brand example.

Internet of Things (IoT)

A network of objects and devices at home and at work providing sensors and connectivity that enable them to be monitored and exchange data with other systems.

Machine-to-machine (M2M)

These connections include home and office security and automation, smart metering and utilities, maintenance, building automation, automotive, healthcare and consumer electronics.

Cisco (2017) explains the importance of IoT and M2M when it says:

The phenomenal growth in smarter end-user devices and M2M connections is a clear indicator of the growth of IoT, which is bringing together people, processes, data, and things to make networked connections more relevant and valuable.

This section focuses on the continued growth of M2M connections and the emerging trend of wearable devices. Cisco forecasts that, globally, M2M connections will grow from 780 million in 2016 to 3.3 billion by 2021 – a 34-per-cent CAGR, or fourfold growth.

Porter and Heppelmann (2015) explain that all connected products, from home appliances to industrial equipment, share three core elements: *physical* components (such as mechanical and electrical parts); *smart* components (sensors, microprocessors, data storage, controls, software, an embedded operating system and a digital user interface); and *connectivity* components (ports, antennae, protocols and networks that enable communication between the product and the product cloud, which runs on remote servers and contains the product's external operating system). Together with their infrastructure, this gives connected products new product capabilities. First, products can *monitor* and report on their own condition and environment, to generate insights into their performance and use; second, the users can control and customise products remotely; and third, optimisation algorithms can substantially improve product performance, utilisation and uptime, and how products work with related products in broader systems.

What about the marketing applications of connected products? These are commonly talked about in these ways:

1. **Products as media.** Some connected products that have screens can potentially be used for ads, which will be more valuable if they are personalised. Devices don't necessarily need screens, since IoT-enabled tags on product packs can be used to connect to information, entertainment and offers, as shown in [Mini case study 7.7](#) on Diageo. In another example, Rebecca Minkoff bags have announced that all future bags will be smart bags. A code will unlock exclusive offers and experiences with Rebecca Minkoff and will automatically qualify the customer for a loyalty programme. It will also provide e-commerce services, private styling sessions with Rebecca, style recommendations, video content and an invitation to the next fashion show. There will also be elite experiences to enjoy with lifestyle partners. [Mini case study 7.7](#) on Diageo Brasil™ explores another example.
2. **Products as a service.** The 'smart home' control products are examples of this. These services are often administered via mobile or desktop apps. This gives opportunities to keep audiences engaged through notifications when they are timely, rather than the previous system of monthly bills.
3. **Products as connected ecosystems.** Within the home context, there are a growing number of popular smart-home IoT clouds on the market, such as Homekit™, Nest™, SmartThings™ and Wink™. New products for the home will have to support interoperation with these and other products that are integrated with them.

Virtual reality and augmented reality

Closely related to these trends are wearables including smart watches and **virtual reality (VR)** and **augmented reality (AR)** enabled devices. See [Mini case study 7.8](#) for an example.

Virtual reality (VR)

Virtual reality headset and software technology creates immersive three-dimensional spaces that simulate a user's physical presence in a virtual or imaginary environment.

Augmented reality (AR)

In contrast to VR, augmented reality supports and enhances real-world interactions. For example, retailers can enable consumers to try on new clothing or glasses using AR devices.

Site navigation schemes

Devising a site that is easy to use is critically dependent on the design of the **site navigation scheme**. Hoffman and Novak (1997) and many subsequent studies (e.g. Rettie, 2001; Smith and Sivakumar, 2004) have stressed the importance of the concept of **flow** in governing site usability. The concept of ‘flow’ was first brought to prominence by Mihaly Csikszentmihalyi, a psychology professor at the University of Chicago. In his book, *Flow: The Psychology of Optimal Experience*, he explains his theory that people are most happy when they are in a state of flow – a Zen-like state of total oneness with the activity at hand. In an online marketing context, ‘flow’ essentially describes how easy it is for users to find the information or experiences they need as they move from one page of the site to the next, but it also includes other interactions such as filling in on-screen forms. Rettie (2001) has suggested that the quality of navigation is one of the prerequisites for flow, although other factors are also important. They include quick download time, alternative versions, auto-completion of forms, opportunities for interaction, navigation that creates choices, predictable navigation for control and segmenting content by Internet experience.

Site navigation scheme

Tools provided to the user to move between different information on a website.

Flow

Describes how easy it is for users of a site to move between the different pages of content of the site.

Mini case study 7.7: Diageo Brasil send personalised messages via IoT-enabled whisky

Diageo Brasil decided to position itself as the drink to celebrate fatherhood by connecting 100,000 bottles to the Internet so they could be used to send a personalised, one-to-one digital video message to fathers on Father’s Day. The givers (of the whisky) were able to personalise the message with their own content. By doing so it calls upon the giver to create what is, in effect, the advertising message to augment the product, making this an example of participative (and, at scale, crowdsourced) creative.

Diageo saw a 72 per cent sales uplift on the lead up to Father’s Day, and the cost of the campaign was repaid five times over. It also helped portray the brand as innovative and

positioned whisky as the perfect Father's Day gift in a way that will pay off for years to come. The campaign also won the International Advertising Associations top award.

Source: <http://thedigitals.storystream.it/the-digitals-2013/items/67934/evrythng-for-diageo> (accessed May 2018).

It can be suggested that there are three important aspects to a site that is easy to navigate. These are:

- **Consistency.** A site will be easier to navigate if the user is presented with a consistent user interface when viewing the different parts of the site. For example, if the menu options in the support section of the site are on the left side of the screen, then they should also be on the left when the user moves to the 'news section' of the site.
- **Simplicity.** Sites are easier to navigate if there are a limited number of options. It is usually suggested that two or possibly three levels of menu are the most that are desirable. For example, there may be main menu options at the left of the screen that take the user to the different parts of the site, and at the bottom of the screen there will be specific menu options that refer to that part of the site (Menus in this form are often referred to as 'nested').
- **Context.** Context is the use of 'signposts' to indicate to users where they are located within the site – in other words, to reassure users that they are not 'lost'. To help with this, the website designer should use particular text or colour to indicate to users which part of the site they are currently using. Context can be provided by the use of JavaScript 'rollovers', where the colour of the menu option changes when the user positions the mouse over the menu option and then changes again when the menu option is selected. Many sites also have a site-map option that shows the layout and content of the whole site so the user can understand its structure. When using a well-designed site it should not be necessary to refer to such a map regularly.

Mini case study 7.8: How has Virgin Holidays used virtual reality?

When Facebook launched the Oculus Rift, and other consumer virtual reality (VR) headsets such as the HTC Vive and PlayStation VR were launched, Virgin Holidays wanted to apply innovative technology in some of its stores for more than a year.

You can see the show reel that summarises the campaign here:

<https://www.youtube.com/watch?v=K9Pu0f27k1Q>

Sunna van Kampen, the marketing manager at Virgin Holidays, wanted to explore how VR could enhance the in-store buying experience by offering waiting customers a virtual tour of Virgin Holidays' destinations, allowing them to 'try before they buy'.

To film the holiday experiences, they used a 360-degree rig made of multiple GoPro cameras. These were used to film an excursion in the Riviera Maya in Mexico, including dolphins in Xel-Ha park, walking the ruins and cliffs of Tulum and touring the hotels and the beaches of Maroma. These were all filmed from a first-person perspective, so an idea of the experience could be captured at every angle, with the sensation and visuals a customer would experience themselves. Ambient sound was also recorded to create a real, sensory experience of what the holiday would sound like, as well as look like.

To test the experience at a relatively low cost, the VR was delivered through Google Cardboard™, which enabled a low-cost test roll-out of what was, at the time, the biggest virtual reality roll-out in the UK. The tech was branded 'Virgin Reality' in store, in line with the Virgin experience.

The results

Overall the experience was successful, since where deployed it kept customers in the stores longer and generated a significant rise in sales of holidays to Riviera Maya. Sunna van Kampen of Virgin Holidays believes that virtual reality is here to stay.

Following the successful trial, the concept was extended and five tech-enhanced concept stores opened across the UK (Bluewater, Lakeside, Bristol, Newcastle and Leeds). In future, the Virgin Holidays shop will include an 'island bar' where customers can stop for a drink, a dedicated kids area complete with Disney-themed magic mirror and the opportunity to experience what it feels like to sit in a Virgin Atlantic Upper Class chair and sip champagne.

Digital marketing insight 7.3: Taking the mobile site vs app decision

Despite advances in web development and frameworks such as CSS, the challenge of developing for different platforms has increased with the advent of new platforms such as smartphones and tablets. Consequently, key technology options include:

- mobile version of website (full site);
- mobile version of site (most popular pages linking through to traditional pages);
- separate mobile app;
- which device formats and therefore screen sizes to support;
- which mobile operating systems and mobile browser versions to support (for example, Android, iOS, Symbian, etc.).

It will only be cost-effective for the very largest organisations to design for all of these target platforms and devices, so companies need to balance the costs against the benefits and select carefully. The decision is complicated by the improving quality of screen resolution through

smartphones and tablets. Many of these now have a size that enables viewing of sites designed for desktops, although zooming and panning can be frustrating.

The challenge has been nicely summarised by former eBay designer Luke Wroblewski (2011), now lead designer at startup BagCheck™, who says:

As use of mobile devices continues to skyrocket across the globe, we're seeing more ways to tackle the challenge of creating great web experiences across multiple devices. But which approach is right for any given project?

For us, site performance and speed of development were crucial. So many of the decisions we made were designed to make both of these as fast as possible. As part of our focus on performance, we also had a philosophy of 'just what's necessary'. This meant sending things to devices (and people) that didn't actually need them made us squeamish. We liked to optimise. With a dual template system we felt we had more optimisation of source order, media, URL structure and application design.

Nielsen (2000) pointed out what many people reviewing sites still forget – that many users will not arrive on the home page, but may be referred from another site or according to a print or TV advert to a particular page. He calls this process **deep linking** and site designers should ensure that navigation and context are appropriate for users arriving on these pages.

Deep linking

Jakob Nielsen's term for a user arriving at a site deep within its structure.

As well as compromises on depth of links within a site, it is also necessary to compromise on the amount of space devoted to menus. Nielsen (1999) points out that some sites devote so much space to navigation bars that the space available for content is limited. Nielsen suggests that the designer of navigation systems should consider the following information that a site user wants to know:

- *Where am I?* The user needs to know where they are on the site and this can be indicated by highlighting the current location and clear titling of pages. This can be considered as *context*. *Consistency* of menu locations on different pages is also required to aid cognition. Users also need to know where they are on the web. This can be indicated by a logo, which by convention is at the top or top-left of a site.
- *Where have I been?* This is difficult to indicate on a site, but for task-orientated activities such as purchasing a product it can show the user that they are at the *n*th stage of an operation, such as making a purchase.
- *Where do I want to go?* This is the main navigation system, which gives options for future operations.

To answer these questions, clear succinct labelling is required. Widely used standards such as Home, Main page, Search, Find, Browse, FAQ, Help and About Us are preferable.

Since using the navigation system may not enable the user to find the information they want rapidly, alternatives have to be provided by the site designers. These alternatives include Search, Advanced search, Browse and Site map (a simplified site map in the footer is common today). [Whatism.com](http://www.whatism.com) (www.whatism.com) illustrates these features well.

Menu options

Designing and creating the menus to support navigation present several options. A combination of text-based menus, graphical buttons or images is usually preferred in modern sites to meet the requirements of accessibility, persuasion, SEO and usability. Yet some sites are still based solely on Flash or image-based menus, which will reduce the business effectiveness of the site. Most large retail sites now use ‘mega-menus’, where there are a wide range of products and promotions to communicate.

Page design

The page design involves creating an appropriate layout of page elements to meet the goals of findability and usability, as illustrated in the example in [Activity 7.3](#). The main elements of a particular page layout are the title, navigation and content. Standard content, such as copyright information, may be added to every page as a footer. Common page templates will be created for pages that share similar characteristics, such as home page, category/sub-category page, product page, search results page and checkout pages for a retail site. Through use of common templates, improvements can be implemented more efficiently.

Issues in page design include:

- **Page elements.** We have to consider the proportion of a page devoted to content compared to all other material such as headers, footers and navigation elements. The location of these elements also needs to be considered. It is conventional for the main menu to be at the top or on the left. The use of a menu system at the top of the browser window allows more space for content below.
- **Resizing.** A good page layout design should allow for the user to change the size of text or work with different monitor resolutions.
- **Consistency.** Page layout should be similar for all areas of the site unless more space is required – for example for a discussion forum or product

demonstration. Standards of colour and typography can be enforced through cascading style sheets.

- **Printing.** Layout should allow for printing or provide an alternative printing format.

Content design and auditing

It's evident that a compelling customer experience demands exceptional, compelling content and a well-planned **content marketing strategy**. Today, by content we refer to the combination of static content forming web pages, but also dynamic rich media content that encourages interaction. Videos, podcasts, user-generated content and interactive product selectors should also be considered as content, which should be refined to engage issues.

Content marketing strategy

The management of text, rich media, audio and video content aimed at engaging customers and prospects to meet business goals published through print and digital media including web and mobile platforms, which is repurposed and distributed to different forms of web presence such as publisher sites, blogs, social media and comparison sites.

To create such resources requires a content strategy, since there is a challenge of delivering so many different types of content in different forms to different places on different access platforms.

In [Chapter 1](#) we introduced the importance of content marketing in modern marketing and the definition suggests certain elements of content marketing strategy that need to be planned and managed: defining goals for content engagement value; content formats and media; content distribution; content participation and content management platform. Halvorson and Rach (2012) describe the importance of these activities in terms of content management of a website. It can be seen that managing the creation and distribution of quality content is part of a broader customer engagement strategy that looks at delivering effective content across the whole customer lifecycle shown in [Figure 1.1](#). As such it is an integral part of the CRM strategy development, which we covered in [Chapter 6](#). It is also an important marketing activity affecting conversion optimisation, social media engagement and SEO. Increasing attention is directed at content marketing strategy today since it fuels much of digital marketing. Content marketers such as Kieran Flanagan of HubSpot™ (Moz, 2012) now talk about 'Top, Middle and Bottom' of funnel (ToFu, MoFu and BoFu) content to suggest how content needs to be researched and audited to see how effective it is at engaging audiences.

To implement a content marketing strategy requires a change of mindset for many companies (Pulizzi and Barrett, 2010). They need to think more like a publisher and so invest in quality content that's superior to that of their competitors. This requires:

- quality, compelling content – content is still king;
- quality writers to create quality content, who may be internal staff or external freelance writers;
- an editorial calendar and appropriate process to schedule and deliver the content;
- investment in software tools to facilitate the process;
- investment in customer research to determine the content different audiences will engage with to support business goals;
- careful tracking of which content engages and is effective for SEO and which doesn't.

Pulizzi and Barrett (2010) recommend creating a content marketing roadmap that is underpinned by the BEST principles. BEST stands for:

- **Behavioural.** Does everything you communicate with customers have a purpose? What do you want them to do as a result of interacting with content?
- **Essential.** Deliver information that your best prospects need if they are to succeed at work or in life.
- **Strategic.** Your content marketing efforts must be an integral part of your overall business strategy.
- **Targeted.** You must target your content precisely so that it's truly relevant to your buyers. Different forms of content will need to be delivered through different social platforms.

Three specific techniques that marketers can use to improve their content effectiveness are content mapping for different audience personas (see [Chapter 2](#)), content audits and copywriting for the web.

Content audits

Before a business can decide where to prioritise content improvements across their digital assets, they need to evaluate what needs improving, and why, using a **content audit**.

Content audit

A structured review of the effectiveness of different content types and formats to meet the needs of users and the businesses using quantitative and qualitative techniques.

Halvorson and Rach (2012) note that there are two basic types of audit: quantitative audits and qualitative assessments. They remind us of their purpose by quoting Christina Wodtke, an expert on information architecture, who says the first asks ‘*what’s there?*’, the second, ‘*is it any damn good?*’ The ‘*is the content any good?*’ question can be answered through website analytics, as well as by asking through surveys and interviews. For example, measures from analytics such as revenue, or goal value per visit, page value or conversion rates to lead or sale for landing pages should be used as part of a content audit.

Online copywriting

As you would expect, effective copywriting for digital media is quite different from print. Jakob Nielsen of Nielsen Norman Group has been researching how we read online since the mid-1990s. He shows that on the average web page, users have time to read, at most, 28 per cent of the words during an average visit; 20 per cent is more likely Nielsen (2008). This shows the importance of achieving scannability of articles through headlines, and the ‘scent trails’ of links and buttons to other content and actions.

With the increase in smartphones, the need for scannability increases. Biedert *et al.* (2012) found that three different reading modes exist on smartphone – full screen, linewise and blockwise – and scannability and skimmability are important to support each of these.

Scannability and skimmability

Scannability is the use of writing and formatting techniques that compensate for the fact that most people don’t fully read content on the web. These techniques help give online readers an overview to navigate the page. *Skimmability* is using shorter copy and formatting techniques to make it easier to read text once the reader has found context through scanning.

Other common errors we see on websites are too much knowledge assumed of the visitor about the company, its products and services and using internal jargon about products, services or departments – or using undecipherable acronyms.

Web copywriters also need to take account of the user reading the content on-screen. Approaches to dealing with the limitations imposed by the customer using a monitor include:

- writing more concisely than in brochures;
- chunking, or breaking text into units of five to six lines at most, which allows users to scan rather than read information on web pages;
- use of lists with headline text in larger font to aid scannability;
- never including too much on a single page, except when presenting lengthy information such as a report, which may be easier to read on a single page;
- using hyperlinks to decrease page sizes or help achieve flow within copy, either by linking to sections further down a page or linking to another page.

Hofacker (2000) described five stages of human information processing when a website is being used. These can be applied to both page design and content design to improve usability and help companies get their message across to consumers. Each of the five stages summarised in [Table 7.4](#) acts as a hurdle, since if the site design or content is too difficult to process then the customer cannot progress to the next stage. It is useful to consider the stages in order to minimise these difficulties.

Table 7.4 A summary of the characteristics of the five stages of information processing described by Hofacker (2000)

Stage	Description	Applications
1 Exposure	Content must be present for long enough to be processed	Content on banner ads may not be on screen long enough for processing and cognition
2 Attention	User's eyes will be drawn towards headings and content, not graphics and moving items on a web page (Nielsen, 2000)	Emphasis and accurate labelling of headings is vital to gain a user's attention Evidence suggests that users do not notice banner adverts, suffering from 'banner blindness'
3 Comprehension and perception	The user's interpretation of content	Designs that use common standards and metaphors and are kept simple will be more readily comprehended
4 Yielding and acceptance	Is the information (copy) presented accepted by customers?	Copy should refer to credible sources and present

5 Retention	As for traditional advertising, this describes the extent to which the information is remembered	counter arguments as necessary An unusual style or high degree of interaction leading to flow and user satisfaction is more likely to be recalled
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Managing and testing content

It is not practical to provide details of the methods of managing content since marketers do not need an in-depth understanding of development technologies as they will use specialists for this. What marketers do have to know is the aspects of customer experience that can be affected by the tools and development methodologies used. Then, when selecting suppliers they can ask questions so that the type of constraints on the customer experience described in [Activity 7.1](#) are accounted for. They can also test to make sure the systems have been built successfully. Selecting the right **content management system (CMS)** is important to provide a good user experience and is also important for an efficient method of publishing content since the facility can be made available to people throughout the company. Today there are two main forms of CMS, both of which are delivered as web services that can be accessed through a web browser. Enterprise CMSs can be used for large, complex sites (and other corporate documents); as well as the standard page creation and editing facilities these offer version control and review of documents through workflow systems that notify reviewers when new documents are ready for editing. CMSs for smaller companies traditionally lack workflow or multi-author facilities, but offer many of the other features to create content. However, blogging platforms such as WordPress and Movable Type™ are increasingly used by smaller businesses for managing their entire site since they have enterprise features.

Content management system (CMS)

A software tool for creating, editing and updating documents accessed by intranet, extranet or Internet.

Criteria for selecting a content management system

A professional content management system should provide these facilities:

- **Easy authoring system.** Editing of new and existing documents should be possible through a WYSIWYG (what you see is what you get) facility similar to a word processor, which makes it easy to embed images and supports a range of markups necessary for SEO.
- **Search engine robot crawling.** The content must be stored and linked such that it can be indexed by search engine crawlers to add it to their index. Sometimes URL rewriting to a search-engine-friendly format without many parameters is required. The Google Webmaster pages describe the requirements: www.google.com/webmasters.
- **Search-engine-optimisation-friendly markup.** Some bespoke content management systems created by design agencies do not enable easy editing of the key fields, such as <title>, <h1> and <meta name = 'description' content = 'page description'>.
- **Different page templates.** The design and maintenance of content structure (sub-components, templates, etc.), web page structure and website structure. It should be possible to create different layouts and designs for different site sections or categories of pages.
- **Link management.** The maintenance of internal and external links through content change and the elimination of dead links.
- **Input and syndication.** The loading (spidering) of externally originating content and the aggregation and dissemination of content from a variety of sources.
- **Versioning.** The crucial task of controlling which edition of a page, page element or the whole site is published. Typically this will be the most recent, but previous editions should be archived and it should be possible to roll back to a previous version.
- **Security and access control.** Different permissions can be assigned to different roles of users and some content may only be available through log-in details. In these cases, the CMS maintains a list of users.
- **Use of plug-ins and widgets.** Mashups are possible through embedding widgets such as links to social networks or third-party applications. But a content management system may not readily support embedding within the main content or sidebars.
- **Publication workflow.** Content destined for a website needs to pass through a publication process to move it from the management environment to the live delivery environment. The process may involve tasks such as editorial authorisation and the construction of composite documents in real time (personalisation and selective dissemination).
- **Tracking and monitoring.** Providing logs and statistical analysis of use to provide performance measures, tune the content according to demand and

protect against misuse. It should also be possible to rapidly add tags to the page templates for web analytics tools such as Google Analytics.

- **Navigation and visualisation.** Providing an intuitive, clear and attractive representation of the nature and location of content using colour, texture, 3D rendering or even virtual reality. It should be possible to make changes to the navigation and containers holding content within the page template.
- **Flexibility to test new approaches.** It should be possible to test alternative designs and messaging using techniques such as AB and multivariate testing.

Testing the experience

Marketing managers responsible for websites need to have a basic awareness of website **development** and **testing**. We have already discussed the importance of usability testing with typical users of the system. In brief, other necessary testing steps include:

- test that the content displays correctly on different types and versions of web browsers;
- test plug-ins;
- test all interactive facilities and integration with company databases;
- test spelling and grammar;
- test adherence to corporate image standards;
- test to ensure all internal links and links to external sites are valid.

Development

The creation of a website by programmers. It involves writing the HTML content, creating graphics and writing any necessary software code such as JavaScript or ActiveX (programming).

Testing

Involves different aspects of the content such as spelling, validity of links, formatting on different web browsers and dynamic features such as form filling or database queries.

Testing often occurs on a separate test web server (or directory) or *test environment*, with access to the test or prototype version being restricted to the development team. When complete, the website is released or published to the main web server or *live environment*.

Post-launch, ongoing improvements to site effectiveness can be made through review of the web analytics and testing of different page layouts, messaging and offers using the AB and multivariate testing tools (as described in [Chapter 10](#)).

Online retail merchandising

For online retail site owners, merchandising is a crucial activity, in the same way it is for physical retail store owners. In both cases, the aims are similar – to maximise sales potential for each store visitor. Online, this means presenting relevant products and promotions to site visitors, which should help boost key measures of site performance such as conversion rate and average order value. You will see that many of these approaches are related to the concept of **findability**. Some of the most common approaches used are:

- **Expanding navigation through synonyms.** Through using a range of terms that may apply to the same product, the product may become easier to find if a site visitor is searching using a particular expression.
- **Applying faceted navigation or search approaches.** Search results pages are important in online merchandising since conversion rates will be higher if relevant products and offers are at the top of the list. **Faceted navigation** enables website users to ‘drill-down’ to easily select a relevant product by selecting different product attributes ([Figure 7.15](#)).
- **Featuring the best-selling products prominently.** Featuring strongest product lines prominently is a common approach, with retailers showing ‘Top 10’ or ‘Top 20’ products.
- **Use of bundling.** The classic retail approach of buy-one-get-one-free (BOGOF) is commonly applied online through showcasing complementary products. For example, Amazon discounts two related books it offers. Related products are also shown on the product page or in checkout, although care has to be taken here since this can reduce conversion rates.
- **Use of customer ratings and reviews.** Reviews can be important in influencing sales. Research from online ratings service Bazaarvoice™ showed that for one of its clients, CompUSA™, the use of reviews achieved:
 - 60 per cent higher conversion;
 - 50 per cent higher order value;
 - 82 per cent more page views per visitor.

Findability

An assessment of how easy it is for a web user to locate a single content object or to use browse navigation and search system to find content. Like usability it is assessed through efficiency – how long it takes to find the content, and effectiveness – how satisfied the user is with the experience and relevance of the content they find.

Faceted navigation

Enables users to rapidly filter results from a product search based on different ways of classifying the product by its attributes or features. For example, by brand, by sub-product category, by price bands.

Figure 7.15 Faceted navigation at Eurooffice.com

The screenshot displays the Eurooffice.com website interface. At the top, there is a navigation bar with links for 'LOGIN / REGISTER', 'Business Shop (Prices excl. VAT)', 'Switch to Retail Shop', '0800 316 3876', 'Contact Us', 'Help', and 'Feedback (+)'. The main header features the 'eurooffice' logo with the tagline 'Your Office, Our Passion', a search bar with the placeholder text 'What do you need today?', and a 'My Basket' icon showing '0 Items'. Below the header is a horizontal menu with categories: 'Special Offers', 'Office Supplies', 'Paper Products', 'Ink Cartridges & Toners', 'Office Furniture', 'Office Machines', 'Facilities', 'Computing', and 'My Account'. A banner below the menu lists 'FREE UK DELIVERY on orders over £25 (ex VAT)', 'FREE UK RETURNS within 14 days of purchase', and 'LOW PRICE GUARANTEE the best prices... guaranteed'.

The main content area is titled 'You are in: Paper Products'. On the left, there is a 'Refine by...' sidebar with a 'Clear All' button. Under 'Refine By Product', there is a 'Category' section with a list of filters: 'Paper Products' (checked), 'Printer & Fax Paper (261)', 'Envelopes & Bags (506)', 'Notebooks & Notepads (308)', 'Diaries, Calendars & Organisers (65)', 'Accounting Books & Forms (140)', 'Business Books & Forms (67)', 'Paper & Card (171)', and 'Labels & Tags (489)'. The main content area is titled 'Paper Products Deals' and features a 'FREE Gifts' promotion including 'Retro Sweets Hamper, Blender & Smoothie Maker, High Street Vouchers and FitBit Flex'. Below this, there are three product listings:

- Top selling products in this category:**
 - A4 Pukka Pad - Pack of 3 Ruled Notebooks:** RRP £17.99 (Save 56%), £7.89 ex VAT. Pack of: 3. ADD
 - A3 Paper 80gsm - 500 Sheets 5 Star:** RRP £44.03 (Save 82%), £7.89 ex VAT. Pack of: 500. ADD
- This Week's Top Deal:** A4 White Printer Paper 80gsm. RRP £98.65 (Save 88%), £11.79 ex VAT. Pack of 2500. ADD

Mini case study 7.9: Figleaves.com uncovers customer feedback to increase conversion

Figleaves.comTM is a UK-based online lingerie retailer established by Daniel Nabarro in 1998 and purchased by N Brown Group in 2010. **Figleaves.com** explains its online value proposition as follows:

- **Figleaves.com** is the world's largest online seller of branded intimate apparel. The retailer offers branded underwear, swimwear, exercisewear, nightwear and hosiery for men and women. [Core proposition and audience]
- While the choice is huge, it couldn't be easier to find what you are looking for. You can shop by brand, size, price, colour, style or occasion; or, if you know exactly what you are looking for, we will take you directly to it in one click. [Ease of use/findability]
- You can easily return goods if they don't fit or if they don't meet your expectation. It's our famous 'no hassle' returns policy. If you're in the UK we even pay the returns postage. [Returns policy]
- What's more, you can check out your purchases at home – no queuing or embarrassing moments in luridly lit changing rooms. [Unique channel-specific advantage of online service]
- Underwear makes a great gift for both men and women. If you are buying for a loved one then we can send your present in a beautiful gift box along with a personalised message. Alternatively, you can send a gift certificate so that the recipient can choose exactly what they want themselves. [Gifting]
- We know how much you appreciate speedy delivery – in-stock items are usually dispatched within 24 hours. [Delivery]

This research by Bazaarvoice shows the value of using customer reviews:

- Overall, products with reviews have a 12.5 per cent higher conversion rate than those without.
- Products with 201 reviews have an 83.85 per cent higher conversion than those products without reviews. Note that products prompting the most reviews tend to be the best sellers and thus are generally higher converting.
- Analysing the session conversion for the same products before and after going live, the same products with reviews have a 35.27 per cent higher overall session conversion rate.
- Conversion was not negatively affected for products without reviews.
- The look-to-book ratio is four times lower (better) for products with reviews compared to those without.
- Overall look-to-book is 32.6 per cent higher (worse) for products without reviews.
- Since going live, products with reviews have seen a significant decrease (better) in the look-to-book ratio.
- Products without reviews saw no significant decrease.

Source: Bazaarvoice case study: <https://www.bazaarvoice.com/>

Mini case study 7.9 about customer feedback at **Figleaves.com** shows another example:

- **Use of product visualisation systems.** These systems enable web users to zoom in and rotate on products.

Weathers and Makienko (2006) have also investigated the effect of merchandising on online store success rates based on a study of users of review site [Bizrate.com](http://bizrate.com)TM. They found that features to enable searching for products were particularly important, as was a choice of ordering options.

Site promotion or ‘traffic building’

Promotion of a site in order to boost visitors is a significant topic that is part of the strategy of developing a website. It will follow the initial development of a site and is described in detail in Chapters 8 and 9. Particularly important issues that must be considered during the course of site design are search engine optimisation and the experience delivered on landing pages where the visitor arrives not on the home page, but deeper within the site.

The impact of service quality on e-loyalty

Delivering service quality in e-commerce can be assessed through reviewing existing marketing frameworks for determining levels of service quality. Those most frequently used are based on the concept of a ‘service–quality gap’ that exists between the customer’s expected level of service (from previous experience and word-of-mouth communication) and their perception of the actual level of service delivery. We can apply the elements of service quality on which Parasuraman *et al.* (1985) suggest that consumers judge companies. Note that there has been heated dispute about the validity of this SERVQUAL instrument framework in determining service quality – see, for example, Cronin and Taylor (1992). Despite this it is still instructive to apply these dimensions of service quality to customer service on the web (see, for example, Chaffey and Edgar (2000); Kolesar and Galbraith (2000); Zeithaml *et al.* (2002); and Trocchia and Janda (2003), summarised by Valvi *et al.*, (2012):

- **Tangibles** – the physical appearance of facilities and communications;
- **Reliability** – the ability to perform the service dependably and accurately;
- **Responsiveness** – a willingness to help customers and provide prompt service;
- **Assurance** – the knowledge and courtesy of employees and their ability to convey trust and confidence;

- **Empathy** – providing caring, individualised attention.

For e-commerce, such dimensions are often discussed for their impact on e-loyalty, i.e. reviewing whether service quality is sufficient for repeat purchases. Additional non-service factors such as perceived value also need to be assessed for their impact on repeat purchase, as noted by Valvi *et al.* (2012), who review no less than 62 instruments or frameworks for reviewing e-loyalty! These authors propose a new general conceptual framework, which leads to e-loyalty dividing antecedents into prepurchase, during purchase and after-purchase factors, based on the act of purchase.

As well as applying these academic frameworks, organisations can use benchmarking services such as ForeSee™ (www.foreseeresults.com), based on the American Customer Satisfaction Index methodology that assesses satisfaction scores based on the gap between expectations and actual service (see [Chapter 6, Figure 6.12](#)). Net Promoter Score (NPS), which is discussed in [Chapter 6](#) in the section on ‘Measuring the voice of the customer in digital media’, is the most commonly used measurement and technique for assessing loyalty within e-commerce.

It should also be remembered that the level of service selected by an online transactional service is based on the relationship between the costs to serve, the value of the product and the likelihood of the channel to increase conversion. [Figure 7.16](#) shows the typical situation for a bank. Typically, costs to serve increase to the top-right of the diagram, as does the capability to convert through a more extended dialogue and the value generated from sale. The figure shows a general pattern, but the options are often not mutually exclusive – for example, phone contact may be available for all levels, but emphasised for the most complex products. We introduced some of these methods of delivering service in [Chapter 5](#):

1. **Straight-through processing.** Transaction typically occurs without intervention from staff for a relatively simple product such as a savings account.
2. **Call-backs.** The customer has the option to specify the bank call if there is anything they are unclear on.
3. **Live chat.** Online discussion between service representative and the client. This may be invoked proactively if analysis suggests the customer is having difficulty in deciding.
4. **Co-browsing.** Sharing of screen to walk through application process.

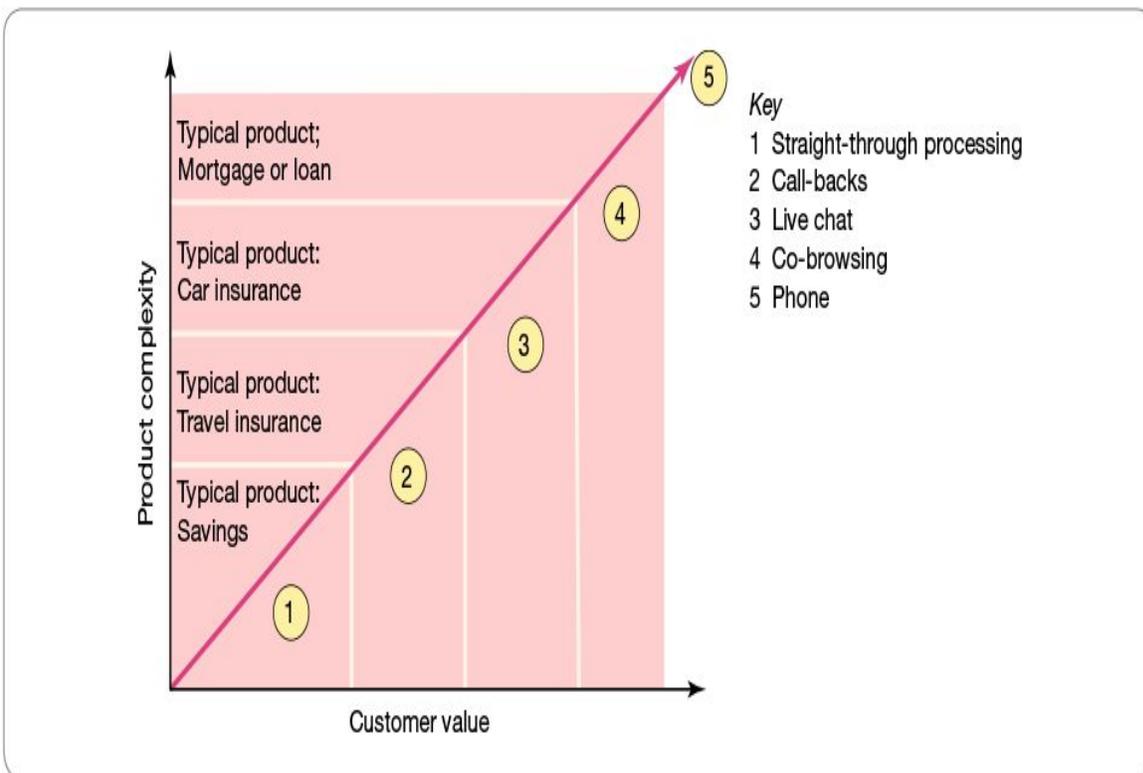
5. **Phone.** Typically this has the highest cost, but often the highest conversion rate.

Two of the most significant frameworks for assessing online service quality are:

- **WEBQUAL** (Loiacono *et al.*, 2000, 2007), which considers 14 dimensions. It has been criticised for relating too much to functional design issues rather than service issues. Consider other limitations, which could include rating of content or products, trust factors, support for different digital devices or integration with other online and offline channels. Green and Pearson (2011), for example, cover the trust factors and perceived risk. The dimensions of WEBQUAL are:
 1. *Information quality* – the concern that information provided is accurate, updated and appropriate.
 2. *Functional fit to task* – the extent to which users believe that the website meets their needs.
 3. *Tailored communications* – communications can be tailored to meet the user's needs.
 4. *Trust* – secure communication and observance of information privacy.
 5. *Response time* – time to get a response after a request or an interaction with a website.
 6. *Ease of understanding* – easy to read and understand.
 7. *Intuitive operations* – easy to operate and navigate.
 8. *Visual appeal* – the aesthetics of the site.
 9. *Innovativeness* – the creativity and uniqueness of the website.
 10. *Emotional appeal* – the emotional effect of using the website and intensity of involvement.
 11. *Consistent image* – the website does not create dissonance for the user by an image incompatible with that projected by the firm through other media.
 12. *Online completeness* – allowing all or most necessary transactions to be completed online (for example, purchasing on the website).
 13. *Relative advantage* – equivalent to or better than other means of interacting with the company.
 14. *Customer service* – the response to customer inquiries, comments and feedback when such response requires more than one interaction.
- **E-SERVQUAL** (Zeithaml *et al.*, 2002), which contains seven dimensions. The first four are classified as the core service scale, and the latter three dimensions are regarded as a recovery scale, since they are only relevant when online customers have questions or problems:

1. *Efficiency* refers to the ability of the customers to get to the website, search for information or transact as required.
2. *Fulfilment* involves the accuracy of service promises, including products' in-stock availability and delivering the products in the promised time.
3. *Reliability* is associated with the technical functioning of the site, including availability and performance.
4. *Privacy* is related to assurance that shopping behaviour data are not shared and that credit card information is secure.
5. *Responsiveness* refers to the ability of e-tailers to provide appropriate support information to customers when requested.
6. *Compensation* involves returns facilities for refunds and return shipping and handling costs.
7. *Contact* is the ability of customers to talk to a live service agent online.

Figure 7.16 Variation between product complexity, customer value and type of online experience used to deliver service



Both are useful frameworks that can still be applied to evaluate online service quality today, although arguably they omit the importance of accessibility, findability techniques, multichannel integration and customer reviews and ratings

(as discussed in the later section on merchandising as a determinant of satisfactory experience).

Online marketers should assess what customers' expectations are in each of these areas, and identify where there is an **online service–quality gap** between the customer expectations and what is currently delivered.

Online–service quality gap

The mismatch between what is expected and delivered by an online presence.

As mentioned at the start of the chapter, Klaus (2014) notes that there have been limited attempts to review more holistic digital customer experiences, despite the development of broader customer experience management assessment such as EXQ: a multiple-item scale for assessing service experience developed by Klaus and Maklan (2012).

We will now examine how the five determinants of online service quality apply online.

Tangibles

It can be suggested that the tangibles dimension is influenced by ease of use and visual appeal based on the structural and graphic design of the site. Design factors that influence this variable are described later in this chapter.

Reliability and responsiveness

The reliability dimension is dependent on the availability of a website – in other words, how easy it is to connect to the website as a user. Many companies fail to achieve 100 per cent availability and potential customers may be lost for ever if they attempt to use the site when it is unavailable.

Reliability of email and social media response remains a key issue. Superoffice (2017) analysed the customer service quality of 500 companies across the world of a range of sizes. They found that:

- 41 per cent of companies did not respond to a customer service request.
- 90 per cent of companies did not acknowledge an email had been received.
- 99 per cent of companies did not follow up with customers.
- Only 11 per cent of companies answered both questions in the first reply.

The average response time to handle a customer service request was 15 hours.

Responsiveness is also indicated by the performance of the website – the time it takes for a page request to be delivered to the user’s browser as a page impression, as discussed for the Google (2017b) data presented earlier in this chapter.

Assurance

In an email or social media response context, assurance can best be considered as the quality of response.

Multichannel communications preferences

Upton (2008) reports on research where 1,000 UK consumers aged 18+ were surveyed to identify the role and importance of customer services and communications for online businesses. Despite the growing popularity of email as a communication tool, 53 per cent of those interviewed still prefer to communicate with businesses over the telephone, particularly for service enquiries, compared with 48 per cent for email and 16 per cent for traditional mail. However, when asked about their experiences, three out of ten UK consumers stated they found it difficult to locate contact details on websites.

Surprisingly, 53 per cent of consumers consider three minutes’ waiting time a satisfactory period to speak with an agent over the telephone. Consumers particularly disliked ringing a contact centre only to be met with a computerised answering service. As Upton notes, replacing a skilled operator with an automated service might save money in the short term – however, in the long term companies risk losing brand advocacy and sales. Additionally, customers believe 24 hours is a respectable amount of time to wait for a response when contacting a business via email.

He concludes:

Overall the research shows that in this era of multi-communication, consumers are no longer allied to any particular mode of communication. They will select the most convenient or appropriate channel even if the retailer trades solely online.

As a result, brands need to provide their contact centre agents with the tools to seamlessly combine different communication channels such as telephone, email, v-mail, web chat and SMS to communicate with the consumer and meet their expectations of service.

Agents also need to have real-time access to all past interactions with a customer. This should include text transcriptions of conversations and emails, scanned copies of letters received and despatched, as well as call recordings, comments and outcomes ensuring that the agent is fully briefed on the existing relationship that the customer has with the brand. Importantly, this information can be further used to tailor all future contact with the customer, delivering greater levels of customer satisfaction. By employing the customer's preferred channel of communication, which has been identified using the data from real conversations with individuals, it is possible to meet customer expectations, and as a result maximise retention and brand advocacy.

A further assurance concern of e-commerce websites is the privacy and security of customer information (see [Chapter 3](#)). A company that adheres to the UK Internet Shopping Is Safe (ISIS) (www.imrg.org) or TrustArc (formerly Truste) principles (www.trustarc.com/) will provide better assurance than one that does not. For security, 'hacker safe' accreditation is available from Scan Alert™ (www.scanalert.com), which is owned by McAfee™ security products. This involves automated daily scans to test site security.

Chaffey and Smith (2012) suggest that the following actions can be used to achieve assurance in an e-commerce site:

- provide clear and effective privacy statements;
- follow privacy and consumer protection guidelines in all local markets;
- make security of customer data a priority;
- use independent certification bodies;
- emphasise the excellence of service quality in all communications.

Empathy

Although it might be considered that empathy requires personal human contact, it can still be achieved, to an extent, through email and web communications.

Provision of personalisation facilities is also an indication of the empathy provided by the website, but more research is needed as to customers' perception of the value of web pages that are dynamically created to meet a customer's information needs.

It can be suggested that for managers wishing to apply a framework such as SERVQUAL in an e-commerce context there are three stages appropriate to managing the process:

1. **Understanding expectations.** Customer expectations for the e-commerce environment in a particular market sector must be understood. The SERVQUAL framework can be used with market research and benchmarking of other sites to understand requirements such as responsiveness and empathy. Scenarios can also be used to identify customer expectations of using services on a site.
2. **Setting and communicating the service promise.** Once expectations are understood, marketing communications can be used to inform the customers of the level of service. This can be achieved through customer service guarantees or promises. It is better to under-promise than over-promise. A book retailer who delivers a book in two days when three days were promised will earn the customer's loyalty better than the retailer who promises one day but delivers in two! The enlightened company may also explain what it will do if it doesn't meet its promises – will the customer be recompensed? The service promise must also be communicated internally and combined with training to ensure that the service is delivered.
3. **Delivering the service promise.** Finally, commitments must be delivered through on-site service, support from employees and physical fulfilment. Otherwise, online credibility is destroyed and a customer may never return.

Tables 7.5 and 7.6 summarise the main concerns of online consumers for each of the elements of service quality. Table 7.5 gives the main factors in the context of SERVQUAL and Table 7.6 presents the requirements from an e-commerce site that must be met for excellent customer service.

Table 7.5 Online elements of service quality

Tangibles	Reliability	Responsiveness	Assurance and empathy
Ease of use	Availability	Download speed	Contacts with call centre
Content quality	Reliability	Email response	Personalisation
Price	Email replies	Call-back	Privacy
		Fulfilment	Security

Table 7.6 Summary of requirements for online service quality

Email response requirements:

- Use of autoresponders confirming processing of query
- Defined response times and individuals responsible
- Personalised emails if this is appropriate

- Opt-ins and Opt-outs must be provided for promotional emails with a suitable offer in exchange for customer information
- Accurate response to inbound email noting customer's preferred response type: email, or phone call
- Layout should be clear; with named individual and privacy statements included

Website requirements:

- Company targets for site performance and availability
- Support for customer preferred channels (email, phone, in person or postal mail)
- Clear contact points, including mailto (a link specified which sends an email or leads to a form)
- Personalisation options for customers
- Tools to help users answer specific questions, such as FAQs or interactive databases
- Testing of site usability and efficiency of links, HTML, plug-ins and browsers to maximise accessibility
- Graphic and site design to achieve ease of use and relevance of content with visual appeal

The relationship between service quality, customer satisfaction and loyalty

As we discussed in [Chapter 6](#) (see [Figure 6.11](#)), it is key for organisations to understand not only the levers that determine service quality and customer satisfaction, but also loyalty or repeat purchases.

Rigby *et al.* (2000) assessed repeat-purchase drivers in grocery, clothing and consumer electronics e-tail. It was found that the key loyalty drivers were similar to those of Dell, including correct delivery of order, but other factors such as price, ease of use and customer support were more important.

Case study 7: Refining the online customer experience at i-to-i.com

This case is about a specialist travel and education company, focusing on its online TEFL (Teaching English as a Foreign Language) courses. The company's site combines many of the features we have described in this chapter, blending accessibility, usability and persuasion. This case considers the challenges of delivering an effective design across different markets for different audiences.

i-to-i background

i-to-i (www.i-to-i.com) is an international organisation with offices in the UK, USA, Ireland and Australia. Around 40,000 people have selected i-to-i as they travel on ventures to support 500 worthwhile projects in five continents and it has also trained a further 180,000 people as TEFL (Teaching English as a Foreign Language) teachers.

The history of i-to-i

The founder of i-to-i, Deirdre Bounds, was inspired to create the company following a career break that took her to teach English in Japan, China and Greece and drive a backpackers' bus in Sydney. The company initially started through creating TEFL courses, eventually leading to organising volunteer projects. Since 2003, the company has supported the i-to-i Foundation – a registered charity committed to providing funds to the most needy community and ecological projects in the i-to-i family.

Proposition

The main features of the i-to-i TEFL proposition communicated through its site are:

- **International accreditation:** i-to-i is externally accredited by the ODLQC in order to ensure that its courses are rigorously monitored and always meet the highest industry standards.
- **World-class reputation:** i-to-i has four offices worldwide and it has over 12 years' experience teaching TEFL.
- **Partnership:** i-to-i is the preferred TEFL course provider for STA Travel™, Opodo and Lonely Planet™.
- **Complete student support:** students receive advice on how to get work abroad, how best to prepare for their time away and up-to-the-minute advice on current job opportunities.
- **Highly experienced tutors:** all i-to-i tutors have at least three years' overseas teaching experience.

This proposition is backed up by 'the i-to-i TEFL Promise', which is communicated on the site:

- We will beat any equivalent and cheaper course by 150%.
- If you're not entirely satisfied after the first seven days, we'll give you a full refund.
- Our experience, our high academic standards and the quality of our courses means that i-to-i TEFL certificates are recognised by thousands of language schools worldwide.
- Additionally i-to-i can offer to help students find TEFL jobs abroad.

Audience segmentation

The main segmentation used by i-to-i is geographic:

- UK;
- North America;

- Europe;
- Australia and New Zealand;
- rest-of-world (same as UK).

Different brochures are available for each geographical area. Information is also collected on an optional basis about prospects' age and status, although this is not used for targeting emails. Career status categories are:

- student;
- employed;
- self-employed;
- career break;
- unemployed;
- retired.

Since optional information is restricted to certain lead tools it is not used to target emails. For weekend TEFL the postcode/city is used to target courses to the nearest location of prospects.

Competitors

Some of the main competitors for online TEFL courses based in the UK and Australia include:

- www.cactustefl.com
- www.teflonline.com
- www.eslbase.com

In the US, competitors who also operate in the UK and other countries include:

- www.teflcorp.com

Media mix

i-to-i uses a combination of these digital media channels to drive visits, leads and sales:

- pay-per-click (PPC) (mainly Google Ads);
- social media marketing using Facebook, Instagram, Twitter and i-to-i's own traveller community;
- natural search;
- affiliate marketing;
- display advertising;
- email marketing.

Facebook (facebook.com/itoitefl/) is important for showcasing travellers' experiences through a 'Storyteller' series, often using video and blog diaries.

Customer experience and conversion process

Detailed content to help visitors decide on purchasing a course is available on the site. This includes module outlines and videos. Specific landing pages are used to convert visitors from paid search or affiliates, for example.

A number of engagement devices are blended into the design used to generate leads, including brochures, 'TEFL tasters' quiz, an email guide and campaign promotions such as winning a course. Customers have the choice of requesting a brochure (post or download), requesting a callback or a live chat.

Such leads are followed up through a series of welcome emails. Results are monitored, but emails are not proactively followed up on. There is no phone follow-up of leads due to the relative low value of the products, but site visitors are encouraged to ring or setup a callback, which often leads to higher conversion rates.

Marketplace challenges

The main marketplace challenges faced by i-to-i are:

- Increasing its presence and conversion effectiveness in a competitive market in different geographies.
- i-to-i has good exposure in the UK, its primary market, but operates in a cluttered marketplace with price being the main differentiator (products are similar and some competitors are just as established).
- Research suggests that there is good opportunity within the US, but exposure is more limited because of the cost of pay-per-click advertising and because presence in natural search favours the US.
- Rest-of-world sales (outside of the UK, USA, Canada, Ireland/Europe, Australia and New Zealand) are increasing and this is believed to be a growing market. i-to-i seeks to penetrate these markets, but in a cost-effective way that will not distract attention from the main markets.
- Increasing demand through reaching and educating those considering travel, who are not aware of TEFL courses and the opportunities they unlock. For example, many will look for casual work in other countries, e.g. in bars or in agriculture, but will be unaware of TEFL.

Questions

1. Select one country that i-to-i operates in closest to the area where you live. Define a persona based on their age and product needs and then identify the main customer journeys and content requirements for this persona. Which routes through the site would this user follow?
2. Review the range of engagement techniques on the i-to-i website to engage the audience to generate leads.
3. Identify key areas for improvement for i-to-i based on your use of the site.

Summary

1. An effective online customer experience is dependent on many factors, including the visual elements of the site design and how it has been designed for persuasion, usability, accessibility and performance.

2. Careful planning and execution of website implementation is important, in order to avoid the need for extensive reworking at a later stage if the design proves to be ineffective.
3. Analysis, design and implementation should form an iterative, prototyping approach based on usability testing that meets business and user requirements.
4. A feasibility study should take place before the initiation of a major website project. A feasibility study will assess:
 - the costs and benefits of the project;
 - the difficulty of achieving management and staff commitment to the project;
 - the availability of domain names to support the project;
 - the responsibilities and stages necessary for a successful project.
5. The choice of host for a website should be considered carefully since this will govern the quality of service of the website.
6. Options for analysis of users' requirements for a website include:
 - interviews with marketing staff;
 - questionnaire sent to companies;
 - usability and accessibility testing;
 - informal interviews with key accounts;
 - focus groups;
 - reviewing competitors' websites.
7. The design phase of developing a website includes specification of:
 - the information architecture, or structure, of the website using techniques such as site maps, blueprints and wireframes;
 - the flow, controlled by the navigation and menu options;
 - the graphic design and brand identity;
 - content strategy;
 - country-specific localisation;
 - the service quality of online forms and email messages.

Exercises

Self-assessment exercises

1. Explain the term 'prototyping' in relation to website creation.
2. What tasks should managers undertake during initiation of a web page?
3. What factors should be considered for domain name registration?
4. List the factors that determine website 'flow'.

5. Which requirements are important for an effective website?
6. List the options for assessing online service quality.
7. Which issues should be considered when developing a content strategy?
8. What are the factors that control the performance of a website?

Essay and discussion questions

1. Discuss the relative effectiveness of the different methods of assessing the customer's needs from a website.
2. Select three websites of your choice and compare their design effectiveness. You should describe design features such as navigation, structure and graphics.
3. Explain how strategy, analysis, design and implementation of a website should be integrated through a prototyping approach. Describe the merits and problems of the prototyping approach.
4. When designing the interactive services of a website, what steps should the designer take to provide a quality service to customers?

Examination questions

1. What is website prototyping? Give three benefits of this approach.
2. What requirements should be defined at the initiation phase of an online project?
3. Which factors are important when selecting a web design agency?
4. How can customer analysis be used to develop a more effective online service?
5. Name, and briefly explain, four characteristics of an online service that will govern whether a user recommends it.
6. What are the constraints on web service design depending on the technology platform the service is accessed on?

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Weblinks

Retail e-commerce effectiveness compilations

- Monetate Ecommerce Quarterly (www.monetate.com/research/)
- IMRG (<http://imrg.org>)

Information architecture

- **Boxes and Arrows** (boxesandarrows.com). A great collection of best-practice articles and discussions about IA topics such as controlled vocabularies.
- **Peter Morville** (www.semanticstudios.com/writing). Blog of the author of the classic *Information Architecture* book. In-depth best-practice articles.
- **Louis Rosenfeld site** (www.louisrosenfeld.com). Rosenfeld is also author of the classic *Information Architecture* book.
- **Jesse James Garrett** (<http://jg.net/ia>). Design expert JJG's articles on IA.

- **Step Two** (www.steptwo.com.au). This design company has introductory outlines and more detailed articles on information architecture and other aspects of usability.

Usability

- **Interaction Design Foundation** (www.interaction-design.org). The biggest and most authoritative library of open-source UX Design resources.
- **Usability.gov** (www.usability.gov). A comprehensive US portal site covering every aspect of usability, from planning and analysing to designing, followed by testing and refining.
- **Nielsen Norman Group** (www.nngroup.com). One of the leading usability consultants with quality articles and videos on best practices, often based on user research studies.
- **UIE** (www.uie.com/articles). Jared Spool and colleagues' user interface engineering articles provide good best-practice summary articles.
- **Government Service Manual** (www.gov.uk/service-manual). Describes the process for developing online services through Discovery, Beta, Alpha and Live stages.
- **Webby Awards** (www.webbyawards.com). Best practice – the international Oscars for the web.

Technology and web standard development

- **Accessibility standards.** (www.w3.org/WAI). Guidelines and resources from the World Wide Web Consortium (W3C).
- **A List Apart** (www.alistapart.com). Explores the design, development and meaning of web content, with a special focus on web standards and best practices.
- **The World Wide Web Consortium** (www.w3.org). The global standards body prominent in defining web standards.
- **Web of Things** (www.webofthings.org). A community of developers, researchers and designers exploring the future of the physical web.

Chapter 8

Campaign planning for digital media

Chapter at a glance

Main topics

- The characteristics of digital media
- Step 1. Goal setting and tracking for interactive marketing communications
- Step 2. Campaign insight
- Step 3. Segmentation and targeting
- Step 4. Offer, message development and creative
- Step 5. Budgeting and selecting the digital media mix
- Step 6. Integration into overall media schedule or plan

Case study

Case study 8: Facebook – a Titan of the digital age

Learning objectives

After reading this chapter, you should be able to:

- Assess the difference in communications characteristics between digital and traditional media
- Identify the main success factors in managing integrated digital campaigns
- Understand the importance of integrating online and offline communications
- Relate promotion techniques to methods of measuring website effectiveness.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- How do the characteristics of digital media differ from those of traditional media?
- How should I plan online marketing campaign elements?
- How do I choose the best mix of online and offline communications techniques?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 1](#) describes the 6Is, a framework that introduces the characteristics of Internet marketing communications.
- [Chapter 2](#) introduces portals and search engines – one of the methods of online traffic building discussed in this chapter.
- [Chapter 3](#) introduces some of the legal and ethical constraints on online marketing communications.
- [Chapter 4](#) provides the strategic basis for digital marketing communications.
- [Chapter 7](#) describes on-site communications.
- [Chapter 9](#) reviews the different digital media channels in detail.
- [Chapter 10](#) considers the measurement of communications effectiveness.

Introduction

A company that has developed an effective online customer experience, as discussed in [Chapter 7](#), is only part-way to success in digital marketing. In the days of the dot.com boom a common expression was: ‘If you build it, they will come.’ This famous line proved true of a baseball stadium built in the film *Field of Dreams*, but unfortunately it doesn’t apply to websites or other forms of online presence such as mobile apps or social media sites. Berthon *et al.* (1998) make the analogy between online communications and a trade fair. Effective promotion and achieving visibility of the stand is necessary to attract some of the many show visitors to that stand and encourage them to interact. Similarly, if you want to maximise quality visitors within a target audience to your online presences to acquire new customers online, Internet marketers have to select the appropriate online and offline marketing communications.

Planning for how digital media are used includes both short-term campaigns to support a particular goal such as launching a new product, promoting a sale or encouraging prospects to attend an event, and longer-term **always-on or continuous digital communications activities**, which review the best mix of communications to use to drive visitors to a site and achieve the main outcomes for the site such as product sales (for a retailer), lead generation (for a business-to-business company) and engagement with a brand or subscriptions or ad revenue (for an online publisher or consumer brand).

Continuous or ‘always-on’ digital communications activities

Long-term use of e-marketing communications intended to generate site visitors for customer acquisition (such as search engine, affiliate marketing and online sponsorship) and retention (for example, e-newsletter marketing).

Chaffey and Smith (2017) refer to the relevance of timing for traffic building. They say:

Some marketers may consider traffic building to be a continuous process, but others may view it as a specific campaign, perhaps to launch a site or a major enhancement. Some methods tend to work best continuously; others are short term.

An example of the benefits that can accrue through a continuous focus on improving results is explored in [Mini case study 8.1](#). This is an example of the approach of growth hacking introduced in the previous chapter, which blends improvements to communications with experience.

The structure of this chapter

We begin by reviewing the unique characteristics of digital media that should be applied for success in online campaigns. We then look at the different practical aspects of communications, which must be reviewed as part of planning always-on communications or managing a campaign and integrating it with traditional media. These are the sections of this chapter and the main questions we answer:

1. **Goal setting and tracking.** Which specific goals should be set for online campaigns and how do we measure success? What response mechanisms will be most effective?

2. **Campaign insight.** Which data about customer and competitor behaviour are available to inform our decision?
3. **Segmentation and targeting.** How can we target and reach our different audiences?
4. **Offer and message development.** How do we specify our offer and key messages?
5. **Budgeting and selecting the digital media mix.** How should we set the budget and invest in different forms of digital media?
6. **Integration into overall media schedule or plan.** How should we plan the media schedule, which incorporates different waves of online and offline communications?

Mini case study 8.1: A focus on ‘always-on’ marketing and growth hacking

Businesses can tap into the continuous demand for content via search engines and social media to grow their audience. Growth hacking is still a relatively new technique, which involves *fast marketing* experiments targeted at increasing growth in customer activity in digital channels. In this case, the business is a news publisher: Metro™. In VIP Wordpress, Metro.co.uk's Head of Development Dave Jensen (2014) wanted to increase visitors from 9 million to 25 million uniques in a single year. He applied ‘10 Growth Hacks’ that supported the increase in visitors. Some of these ‘hacks’ were technology and hosting related, such as adopting a responsive design, improving site performance and improving indexing of the site by Google to increase search referral from 2 million to 10 million visits a month. Other changes involved opening the platform up to offer more ‘user-generated content’, such as contributed blog articles. Social media optimisation was also a contributor of growth. Methods to encourage sharing via Facebook saw Page Likes increase from 173,000 to 562,000 Likes in a single year.

Summarising the process behind the increase in visits, Dave Jensen said:

None of the above would have been possible without the adoption of a lean mindset and the approach of build, measure, learn, iterate. It has been an amazing 12 months of growth at Metro and a great feeling to be part of a team that came up with and then executed a plan which delivered these results.

Essential digital skills: Campaign planning for digital media

The practical skills of managing paid, owned and earned media channels, which we will cover in [Chapter 9](#), are much sought after in businesses. Yet creating integrated plans to coordinate these activities is even more sought after. These skills include:

- **Setting a brief for agency or internal teams.** Outline the goals and target audience for a campaign.
- **Reviewing insight and analytics.** Today's campaigns must be data-driven, so knowledge of insight sources ([Chapter 2](#)) and campaign effectiveness measures are useful.
- **Campaign integration tactics.** Campaigns are more effective when integrated, so understanding how to achieve this is useful.

Practical ideas to boost employability by showcasing your interests and experiences include:

- reviewing campaigns by brands and writing up the success factors on a blog;
- using the Google Analytics Demo account to understand full referrer mix;
- completing free online Google Ads or Analytics training.

To audit your digital marketing skills across the RACE planning framework use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Building on this, in [Chapter 9](#) we review the success factors for the main **digital media channels**, such as affiliate, search and social media marketing (shown in [Figure 1.9](#)), which make up the tactics of digital marketing campaigns. When a visitor is directed to a site from another third-party site via a digital media channel, the origin is known as a **referrer or referring site**.

Digital media channel

Online communications technique used to achieve goals of brand awareness, familiarity, favourability, and to influence purchase intent by encouraging users of digital media to visit a website, where they will engage with the brand or product and ultimately purchase online, or offline through traditional media channels such as by phone or in store.

Referrer or referring site

The source of a visitor to a site delivered via a digital media channel. Typically a specific site, e.g. Google AdWords, or a media site or an individual ad placement on the site.

The characteristics of digital media

By understanding the key interactive communications characteristics enabled through digital media we can exploit these media while guarding against their weaknesses. In this section, we will describe nine key changes in the media characteristics between traditional and digital media. Note that the 6Is in [Chapter 1](#) provide an alternative framework that is useful for evaluating the differences between traditional media and new media.

1 From push to pull

Traditional media such as print, TV and radio are **push media** – one-way streets where information is mainly unidirectional, from company to customer, unless direct response elements are built in. In contrast, many digital marketing activities such as content, search and social media marketing involve **pull media and inbound marketing**. Among marketing professionals this powerful new approach to marketing is now commonly known as inbound marketing (introduced in [Chapter 1](#)) (Shah and Halligan, 2009). Inbound marketing is powerful since advertising wastage is reduced. It involves applying content and search marketing to target prospects with a defined need – they are proactive and self-selecting. But this is a weakness since marketers may have less control than in traditional communications where the message is pushed out to a defined audience and can help generate awareness and demand. Advocates of inbound marketing argue that content, social media and search marketing do have a role to play in generating demand. The implications are that stimuli to encourage online interactions are still important through online or traditional ads, direct mail, physical reminders or encouraging word of mouth. ‘Push’ from email marketing remains important and is part of the inbound or permission marketing approach ([Chapter 6](#)): it should be an aim of websites and social media presences to capture customers’ email addresses in order that opt-in email can be used to push relevant and timely messages to customers.

Push media

Communications are broadcast from an advertiser to consumers of the message, who are passive recipients.

Pull media and inbound marketing

The consumer is proactive in actively seeking out a solution and interactions with brands and is attracted through content, search and social media marketing.

2 Interactive dialogues

Creating a dialogue through **interactivity** is the next important feature of the web and digital media, which provide the opportunity for two-way and multi-dimensional interactions with the customer. This distinguishing feature of the digital medium was proclaimed in the early days to be a significant benefit of the Internet and digital channels (Peters, 1998; Deighton, 1996) and also as a means of developing long-term relationships with customers through what would later be defined as permission marketing by Godin (1999).

Interactivity

The medium enables a dialogue between company and customer.

Walmsley (2007) believed the main impact of digital media has not been to find new ways to connect brands to consumers as originally anticipated, but in connecting those consumers to each other. This unexpected shift in the direction has led to new communication paradigms.

3 From one-to-many to one-to-some and one-to-one

Traditional push communications are one-to-many (from one company to many customers), often the same message to different segments and often poorly targeted. With digital media ‘one-to-some’ communications, reaching a niche or micro-segment becomes more practical – e-marketers can afford to tailor and target their message to different segments through providing different site content or email for different audiences through **mass-customisation** and **personalisation** (Chapter 6).

Mass-Customisation

The creation of tailored marketing messages or products for individual customers or groups of customers typically using technology to retain the economies of scale and the capacity of mass marketing or production.

Personalisation

Web-based personalisation involves delivering customised content for the individual through web pages, email or push technology.

Figure 8.1 illustrates the opportunities for mass customisation as interaction occurs between an organisation (O) communicating a message (M) to customers (C) for a single-step flow of communication. It is apparent that for traditional mass marketing in (a) a single message (M_1) is communicated to all customers (C_1 to C_5).

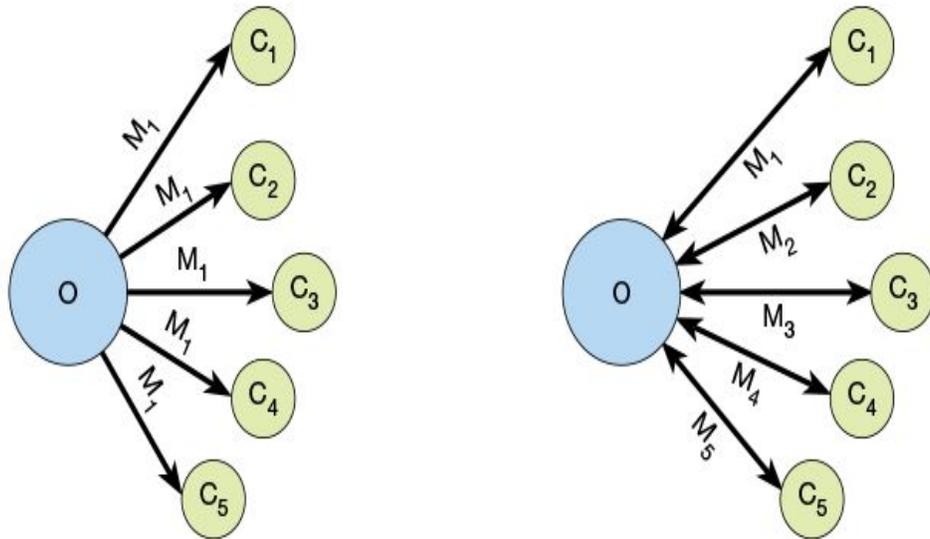
Hoffman and Novak (1997) believed that this change was significant enough to represent a new model for marketing, or a new 'marketing paradigm' (Figure 8.1 (c)). They suggest that the facilities of the Internet, including the web, represent a computer-mediated environment in which the interactions are not between the sender and receiver of information, but with the medium itself. Their vision of the future is now apparent in the popularity of social networks, blogs and specialist communities:

consumers can interact with the medium, firms can provide content to the medium, and in the most radical departure from traditional marketing environments, consumers can provide commercially-orientated content to the media.

4 From one-to-many to many-to-many communications

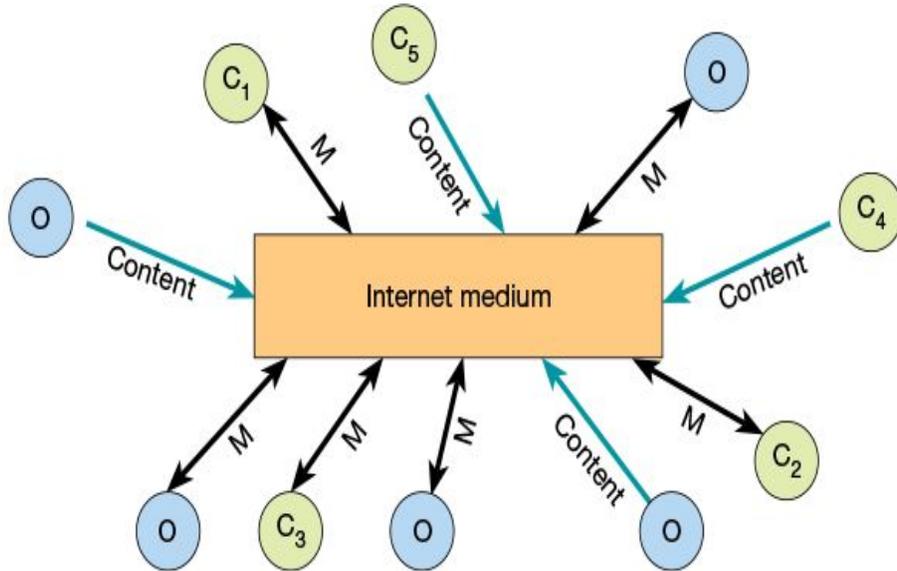
Digital media also enable many-to-many communications. Hoffman and Novak (1996) noted that new media are many-to-many media. Here customers can interact with other customers via a website, in independent communities or on their personal websites and blogs. We will see in the section on online PR that the implications of many-to-many communications are a loss of control of communications requiring monitoring of information sources, but an opening up of more opportunities to reach out to influencers to expand reach.

Figure 8.1 The differences between one-to-many and one-to-one communication using the Internet [organisation (O) communicating a message (M) to customers (C)]



(a) Traditional one-to-many mass marketing communication

(b) One-to-one Internet-based communication



(c) Many-to-many communications via the Internet medium



5 From 'lean-back' to 'lean-forward'

Digital media are also intense media – they are interactive, lean-forward media where the customer wants to be in control and wants to experience flow and

responsiveness to their needs. First impressions and devices to encourage the visitor to interact are important. If the visitor to your site does not find what they are looking for immediately, whether through poor design or slow speed, they will move on, probably never to return.

6 The medium changes the nature of standard marketing communications tools such as advertising

In addition to offering the opportunity for one-to-one marketing, the Internet can be, and widely still is, used for one-to-many advertising. The website or social media site can be considered as similar in function to an advertisement (since it can inform, persuade and remind customers about the offering, although it is not paid for in the same way as a traditional advertisement). Berthon *et al.* (1996) considered a website as a mix between advertising and direct selling since it can also be used to engage the visitor in a dialogue. Constraints on advertising in traditional mass media, such as paying for time or space, become less important. The wastage in traditional advertising where ads are either ignored or are not relevant for an audience is reduced in online marketing, and search marketing in particular. In pay-per-click (PPC) advertising, display of ads can be controlled according to user need based on what searchers are looking for and cost is only incurred where interest is indicated by a click. Affiliate marketing is also a **pay-for-performance communications** technique where cost is only incurred where there is a response.

Pay-for-performance communications

The wastage from traditional media buys can be reduced online through advertising models where the advertisers only pay for a response (cost-per-click), as in pay-per-click search marketing or for a lead or sale as in affiliate marketing.

Peters (1998) suggested that communication via the new medium was differentiated from traditional media in four ways:

1. *Communication style*, which is changed with *immediate*, or synchronous, transfer of information through online customer service; asynchronous communication, where there is a time delay between sending and receiving information, as through email, also occurs;
2. *Social presence* or the feeling that a communications exchange is sociable, warm, personal and active may be lower if a standard web page is

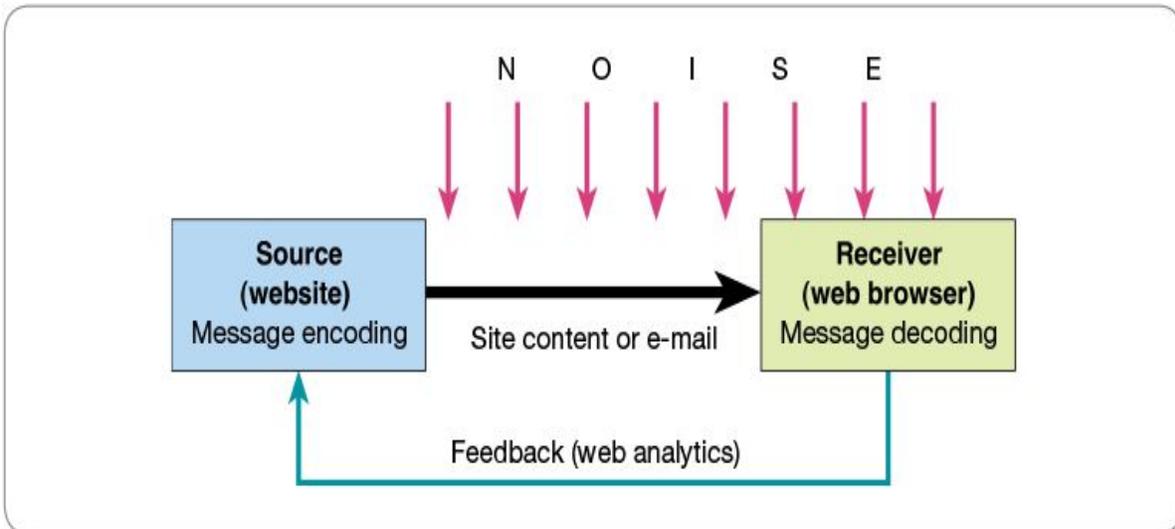
- delivered but can be enhanced, perhaps by personalisation;
3. *Control of contact* has shifted towards the consumer;
 4. The user controls the *content* – for example, through personalisation facilities or posting their own user-generated content.

These ideas are still very relevant today and act as a foundation for digital communications.

Hoffman and Novak (1996) had also pointed out that the main relationships in digital channels are not *directly* between sender and receiver of information, but with the web-based environment, but the classic communications model of Schramm (1955) can still be used to help understand the effectiveness of marketing communication using the Internet. [Figure 8.2](#) shows the model applied to the Internet. Four of the elements of the model that can constrain the effectiveness of digital marketing are:

- **Encoding.** This is the design and development of the site content or email that aims to convey the message of the company, and is dependent on understanding of the target audience.
- **Noise.** This is the external influence that affects the quality of the message; in an Internet context this can be slow download times, the use of plug-ins that the user cannot use or confusion caused by too much information on-screen.
- **Decoding.** This is the process of interpreting the message, and is dependent on the cognitive ability of the receiver, which is partly influenced by the length of time they have used the Internet.
- **Feedback.** This occurs through online forms and through monitoring of on-site behaviour through web analytics ([Chapter 10](#)).

Figure 8.2 The communications model of Schramm (1955) applied to the Internet



7 Increase in communications intermediaries

If we contrast traditional advertising and PR with the options available in paid, owned and earned digital media, there is an increase in options to reach audiences online through a large number of options for media and influencers. Traditional radio channels, newspapers and print titles have migrated online, but in addition there are a vast number of online-only publishers, bloggers and individuals sharing through social networks. The concept of the long tail ([Chapter 5](#)) also applies to websites in any sector. There are a handful of key sites, but many others can also be used to reach customers. The online marketer needs to select the most appropriate of this plethora of sites that customers visit to drive traffic to their own website.

8 Integration

Although digital media have distinct characteristics compared to traditional media, it does not follow that we should concentrate our communications solely on digital media. Rather we should combine and integrate traditional and digital media according to their strengths, as explained in Step 6 in this chapter.

9 Timing of campaign communications have additional ‘always-on’ and real-time marketing components

Earlier in this chapter and in previous chapters we have described the need for **‘always-on’ (or continuous) communications** activity across paid, owned and

earned media to tap into consumer intent to research new products through search engines, publisher sites and social media. Alongside this, investment in traditional ‘burst’ marketing campaigns is, of course, still needed to promote new products, seasonal promotions, brand engagement and demand (lead) generation. See [Mini case study 8.2](#), which shows how a modern marketing campaign can blend offline experiential marketing with digital activation.

Always-on (or continuous) communications

Continuous investment in paid, owned and earned digital media to engage prospects and customers and meet purchase intent as they research products through search, social media and publisher sites.

Another change in the timing of marketing campaigns and communications is from forward planning of campaigns to a more agile, dynamic approach now known as **real-time marketing (and PR)**.

Real-time marketing (and PR)

Brands develop an agile, proactive approach to PR, content marketing and advertising to participate in current news and trends to help increase their visibility and influence through positive brand mentions. They also develop a reactive approach to respond to negative brand mentions through social media reputation management.

Real time means news breaks over minutes, not days. It means ideas percolate, then suddenly and unpredictably go viral to a global audience. It’s when companies develop (or refine) products or services instantly, based on feedback from customers or events in the marketplace. And it’s when businesses see an opportunity and are the first to act on it. See [Digital marketing insight 8.1: hashtag#Openyourworld about here](#).

This experimental type of approach to advertising can be risky; previously Pepsi failed to achieve its objectives when bringing together protestors and police over a can of soft drink (Hunt, 2017; Mortimer, 2017). Brands can be proactive in creating their own viral news, **memes** or storytelling through campaigns to make proactive use of real-time marketing such as through **newsjacking**, but also need to be v when their brand is presented negatively. This is part of reputation management and crisis communications, which are described in the next chapter in the sections on online PR and social media.

Memes

An idea, theme or trend that engages an audience and spreads through viral communications.

Newsjacking

A publisher or other brand seeks to take advantage of current topical interest in a story and then add to or subvert it to increase their own publicity.

We conclude this section with our summary of some of the main differences between traditional and digital media ([Table 8.1](#)).

Mini case study 8.2: Evian™ uses real-time social media to create an impact in New York, London and Paris

Evian, the bottled water company, began this real-time, local marketing campaign over three days in August 2014 under the hashtag #Evianbottleservice. In New York it targeted consumers in city parks such as Bryant Park and Madison Square Park at hot times of day (<http://youtu.be/4EscVUOoFTw>). *AdWeek* (2014) explained how to participate in the programme: consumers had to use the hashtag to Tweet a message to Evian describing their current location. Evian's community managers, social media agency Team Epiphany and staffers from PR company Edelman then responded to the Tweets, triggering a team of brand ambassadors on the streets to deliver a bottle of water within five to seven minutes to each participant. Evian also bought Promoted Tweets to target postcodes around the neighbourhoods to amplify the real-time efforts.

A week after the Manhattan campaign ended, the initiative spread to the Billie Jean King National Tennis Centre in Queens, NY as part of Evian's sponsorship of the US Open.

Before the campaign launched, Evian teased it via social media on 15 August, earning 147 followers per day to 21 August. The number of new followers represents an 11-fold increase from the same time period in July. Evian has roughly 19,200 followers on Twitter.

The water company also claims that there were 3.5 times more daily mentions of the brand between 15 and 21 August compared to competitors'. And, the engagement on Tweets passed the benchmark for CPG brands by 80 per cent. Overall, 2.8 million impressions and 75,000 engagements were generated on Twitter.

Digital marketing insight 8.1: #OpenYourWorld shares individual's views

Heineken's '#OpenYourWorld' campaign reached 3 million views (within the first eight days) and over 50,000 shares (within the first month) and a trending hashtag. The campaign used Facebook as a platform and worked with The Human Library. According to Nic Casby, Heineken's marketing manager, the company wanted to foster human ideals around 'empathy, tolerance and also the simple act of talking to one another (Mortimer, 2017).

This leading beer brand – known for iconic and inventive ad campaigns – experimented with social issues and brought together individuals (not actors) who were complete strangers with contrasting political views. The aim was to prove that it is possible for people with divided opinions to find common ground – hopefully, but not necessarily, by sharing a beer.

Table 8.1 Summary of differences in characteristics of traditional media and digital media (note that rows 10–12 are similarities between the two media types)

Traditional media	Digital media
1 Push emphasis (e.g. TV and print ads and direct mail)	Pull emphasis: relevance to context (search engine marketing (SEM))
2 One-way communications	Dialogue and interactivity and triologue through user-generated content (UGC)
3 Targeting cost constrained by media placements	Micro-targeting and personalisation through SEM and media placements on niche sites
4 Limited customer-to-customer interactions	Participation: through communities and social networks
5 Static campaigns – once campaigns have been booked with a media agency it is difficult to adjust them	Dynamic campaigns where it is possible to test alternative creative and targeting and then revise during campaign according to performance
6 Burst campaigns maximise ad impact over a short period	Continuous, 'always-on' media where a permanent 'real-time' presence is required in online media (e.g. in search, social media and on publishers' sites)
7 Limited media-buying	Limitless paid media-buying

	opportunities with high degree of wastage	opportunities with pay-per-performance options plus owned and earned media (see Chapter 1 for definitions)
8	Detailed response measurement often limited to qualitative research	Potentially measurable at micro-level through web analytics and ad tracking systems
9	Pre-testing	Can also test and refine during campaign
10	Most communications to reach audience via media owners	Media owners are still important but communications also possible via website and non-media-owned blogs and social networks
11	Integrated communications vital	Integrated communications vital
12	Not cheap, quick or easy	Not cheap, quick or easy

We will now recommend a series of steps that can be used when taking a structured approach to planning an integrated campaign or an online customer acquisition plan. Our emphasis is to focus on how digital media will be managed when integrated with other media.

Step 1. Goal setting and tracking for interactive marketing communications

Digital marketers develop communications objectives for different timescales:

- **Annual marketing communications objectives.** For example, achieving new site visitors or gaining qualified leads could be measured across an entire year since this will be a continuous activity based on visitor building through search engines and other campaigns. Annual budgets are set to help achieve these objectives.
- **Campaign-specific communications objectives.** Digital marketing campaigns such as to support a product launch through online advertising and viral marketing. Specific objectives can be stated for each in terms of gaining new visitors, converting visitors to customers and encouraging repeat purchases. Campaign objectives should build on traditional

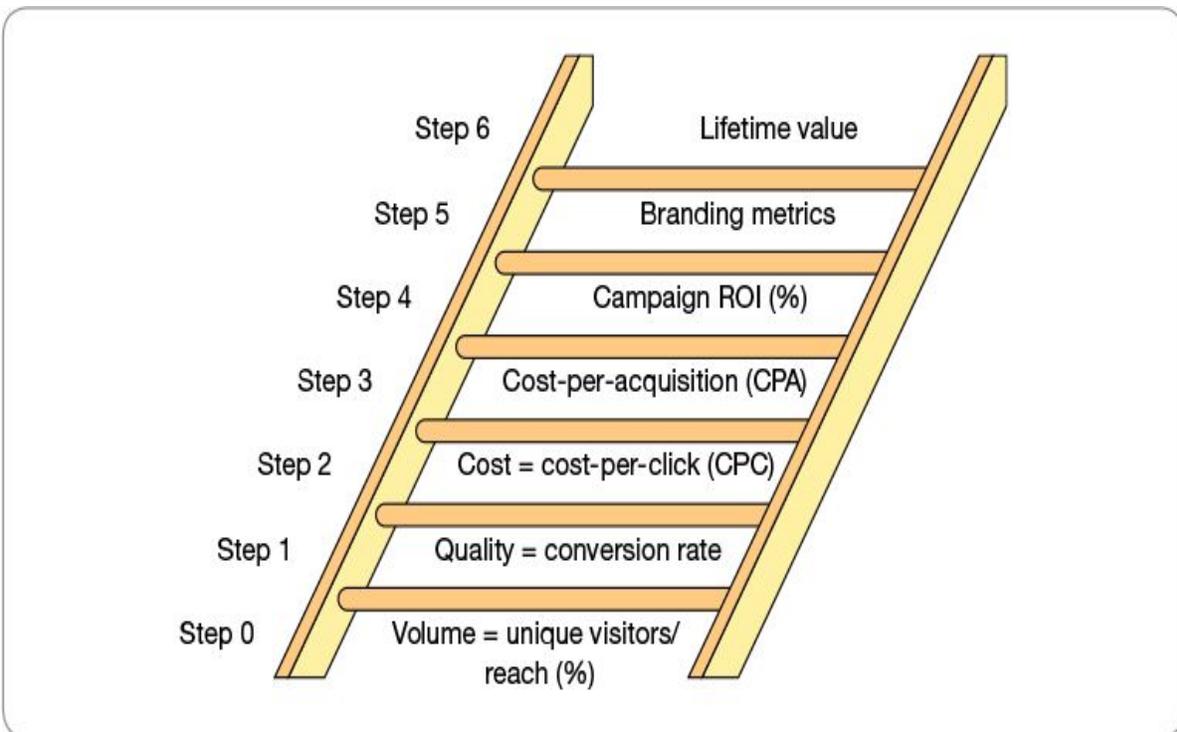
marketing objectives, have a specific target audience and have measurable outcomes that can be attributed to the specific campaign.

The measures we cover in this section can be applied to both the short and long term. More depth on tracking through analytics and the specific measures used for measuring social media ROI is available in [Chapter 10](#).

Terminology for measuring digital campaigns

There are a bewildering series of terms used to set goals and track the effectiveness of digital campaigns, so we start this section by explaining the main measures you will encounter in models for campaign planning and reports from online campaigns. Remember that as we explained in the goal-setting section with regard to strategy in [Chapter 4](#), it's important that when setting goals and tracking we go beyond the volume measures of visitors attracted to a site and use the full range of VQVC measures, that's Volume, Quality, Value and Cost of visitors.

Figure 8.3 Measures used for setting campaign objectives or assessing campaign success, increasing in sophistication from bottom to top



[Figure 8.3](#) shows different measures for goal setting and tracking digital media campaigns from least sophisticated to more sophisticated, as shown under the

following headings.

0 Volume measures including clicks, visitor session and unique visitors

Traffic volume is usually measured as the number of click-throughs or visits to a site (**visitor sessions**) or, better, **unique visitors**. Unique visitors is preferable to using page views or hits as a measure of effectiveness, since it represents opportunities to communicate with individuals but, as we will explain in [Chapter 10](#), it may be technically difficult to calculate ‘uniques’ accurately as measurement is based on cookies. A more sophisticated measure is reach (%) or online audience share. This is only possible using panel data/audience data tools such as www.comscore.com or www.hitwise.com.

Visitor session (visit)

A series of one or more page impressions, served to one user, which ends when there is a gap of 30 minutes or more between successive page impressions for that user.

Unique visitor

Individual visitor to a site measured through cookies or the IP address on an individual computer.

Example: An online bank has 1 million unique visitors per month.

1 Quality measures including conversion rates to action and bounce rate

Traffic volume measures give no indication of whether the audience referred to the site engages with it or leaves straight away, so we need quality measures to show us this. Conversion rate is the best-known quality measure, which shows what proportion of visitors from different sources within a defined time period convert to specific marketing outcomes on the web, such as lead, sale or subscription.

Example: 10 per cent of visitors convert to an outcome such as logging in to their account, or asking for a quote for a product.

Conversion rates can be expressed in two different ways – at the visit level (**visit or session conversion rate**) or the unique visitor level (**visitor conversion rate**).

Visit or session conversion rate

An indication of the capability of a site in converting visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of visitor sessions within a time period.

Visitor conversion rate

An indication of the capability of a site in converting visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of unique visitors within a defined time period.

Eric Petersen (2004) explains it this way:

the denominator you use [to calculate conversion rate] will depend on whether you're trying to understand how people behave during visits or the people themselves. If you're interested in people [and the overall buying process] use unique visitors, if you're interested in behaviour [on a single visit] use visits.

Examples:

$$\text{Visit conversion rate} = \frac{10 \text{ conversion events}}{1,000 \text{ visits}} = 1\%$$

For an e-retailer this is the order conversion rate:

$$\text{Order conversion rate} = \frac{10 \text{ sales}}{1,000 \text{ visits}} = 1\%$$

$$\text{Visitor conversion rate} = \frac{10 \text{ conversion events}}{800 \text{ visits}} = 1.25\%$$

For an e-retailer, this can be called the buyer conversion rate, also known as the browse-to-buy ratio, or for a travel company 'look to book':

$$\text{buyer conversion rate} = \frac{10 \text{ sales}}{800 \text{ unique visitors}} = 1.25\%$$

A related measure that is useful to monitor during campaigns is the **bounce rate**, which indicates the proportion of referred visitors to a page or site who exit after visiting a single page only, usually expressed as a percentage (i.e.

those who arrive at the site and bounce off it since they don't discover relevance!).

Bounce rate

Proportion of visitors to a page or site who exit after visiting a single page only, usually expressed as a percentage.

Reviewing bounce or engagement rates can improve the effectiveness of landing pages and the quality of referrers to a page. The benefit of using bounce rates rather than conversion rates is that there is a much wider variation in bounce rates for a page (i.e. typically 20 to 80 per cent, compared to under 10 per cent), which enables problems with individual referrers, keywords or landing page conversions to be more readily identified. Bounce rates are calculated as follows:

$$\text{Bounce rate \%} = \frac{100 \times \text{single page visits to a page (or site)}}{\text{all visits starting on page (or site)}}$$

$$\text{Engagement rate \%} = (100 - \text{bounce rate \%})$$

2 Media cost measures including cost-per-click and cost-per-thousand

The cost of visitor acquisition is usually measured as the **cost-per-click (CPC)** specific to a particular digital media channel, such as pay-per-click search engine marketing, since it is difficult to estimate for an entire site with many visitors referred from offline advertising.

Cost-per-click (CPC)

The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

Example: £2 CPC (500 clicks delivered from Google Ads costing £1,000).

Cost-per-thousand (CPM) (M = *mille*) is usually used as the currency when buying display ad space; for example, £10 CPM will mean that the ad will be served to 1,000 visitors (technically visitor sessions). An effective CPM can also be calculated for other media channels, such as pay-per-click advertising, for comparison.

Cost-per-thousand (CPM)

The cost of placing an ad viewed by 1,000 people.

3 Acquisition cost measures including cost-per-action or acquisition

A digital campaign is unlikely to succeed if it just meets its objectives of acquiring site visitors and customers but the costs are too high. It is essential to have specific objectives and accurate costing for using different digital media channels to achieve specific objectives and drive visitors to the site and convert to transaction. This is stated as the **cost-per-acquisition (CPA)** (sometimes cost-per-action). Typical cost targets include:

- cost-per-acquisition – of a visitor;
- cost-per-acquisition – of a lead;
- cost-per-acquisition – of a sale (most typical form of CPA, also known as CPS).

Cost-per-acquisition (CPA)

The cost of acquiring a new customer or achieving a sale. Typically limited to the communications cost and refers to cost-per-sale for new customers. May also refer to other outcomes such as cost-per-quote or enquiry.

To control costs, it is important for managers to define a target **allowable cost-per-acquisition**, such as £30 for generating a business lead or £50 for achieving sign-up to a credit card. When the cost of visitor acquisition is combined with conversion to outcomes this is the cost of (customer) acquisition.

Allowable cost-per-acquisition

A target maximum cost for generating leads or new customer profitably.

Example: £20 CPA (for £2 CPC, 10% conversion with one-in-ten visits resulting in sale).

4 Return on investment (ROI) or value measures

Return on investment is used to assess the profitability of any marketing activity, or indeed any investment. You will also know that there are different

forms of ROI, depending on how profitability is calculated. Here we will assume it is just based on sales value or profitability based on the cost-per-click and conversion rate.

$$\text{ROI} = \frac{\text{profit generated from referrer}}{\text{amount spent on advertising with referrer}}$$

A related measure, which does not take profitability into account, is return on advertising spend (ROAS), which is calculated as follows:

$$\text{ROAS} = \frac{\text{total revenue generated from referrer}}{\text{amount spent on advertising with referrer}}$$

5 Branding measures

These tend to be most relevant to interactive advertising or sponsorship. They are the equivalent of offline advertising metrics, i.e. brand awareness (aided and unaided), ad recall, brand familiarity, brand favourability and purchase intent.

6 Lifetime value-based ROI measures

Here the value of gaining the customer is not just based on the initial purchase, but the lifetime value (and costs) associated with the customer. This requires more sophisticated models, which can be most readily developed for online retailers and online financial services providers. The technique for the calculation of LTV was outlined in [Chapter 6](#).

Example: A bank uses a net present value model for insurance products that looks at the value over ten years but whose main focus is on a five-year result and takes into account:

- acquisition costs;
- retention rates;
- claims;
- expenses.

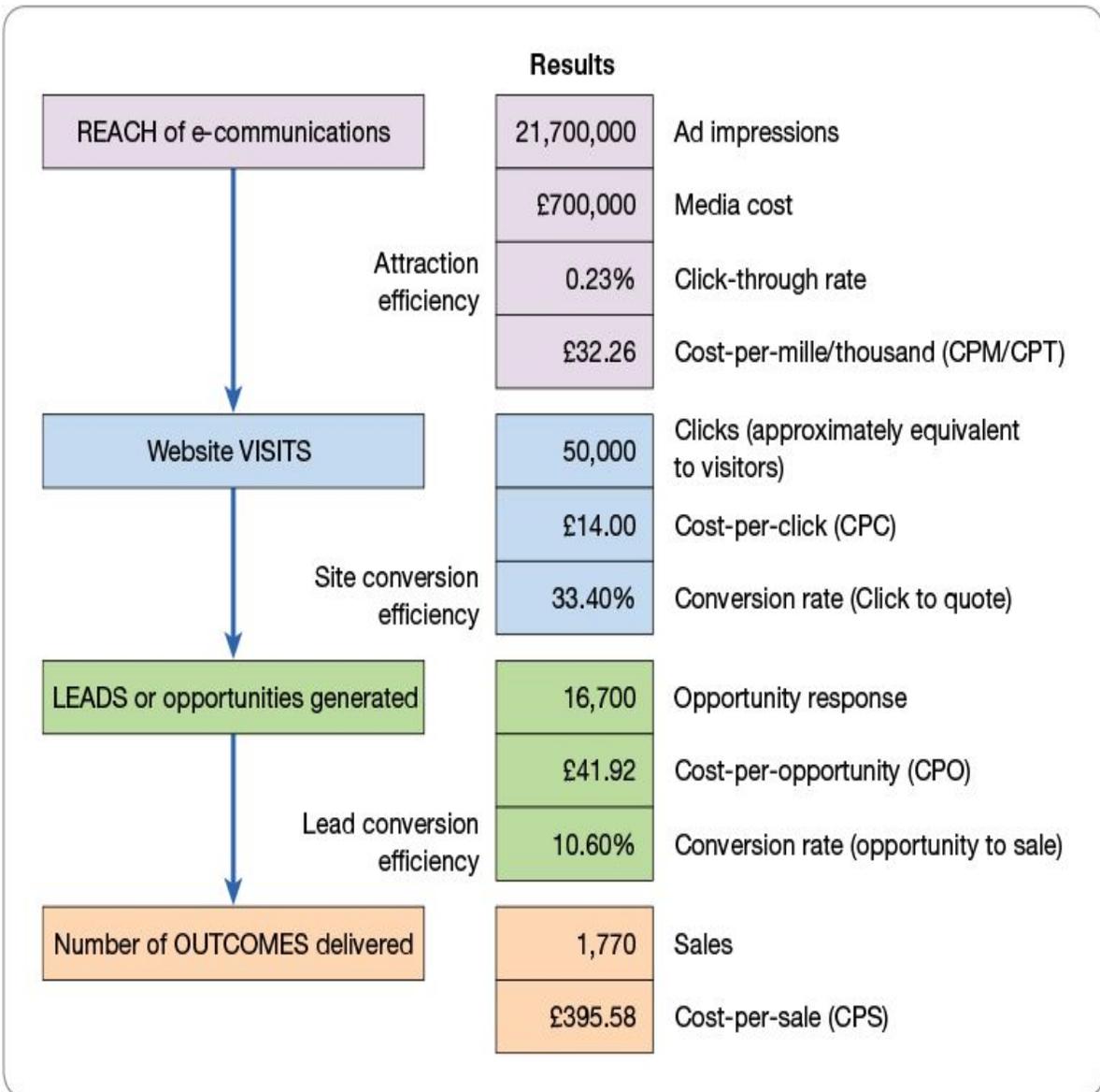
This is valuable since it helps give them a realistic ‘allowable cost per sale’, which is needed to get a return over five years. They track this in great detail – for example, they will know the ROI of different Google Ads keywords and will then select keyphrases and bid strategies accordingly.

Figure 8.4 shows an example of an online ad campaign for an insurance product placing many of the core volume, quality and cost measures covered in this section in context. Here an opportunity or lead is when a quote is requested. Note that the cost of acquisition is high but this does not take into account the synergies of online advertising with offline campaigns, i.e. those who are influenced by the ad, but do not click through immediately.

Examples of digital campaign measures

An interactive marketing communications plan should have five main types of goals included:

Figure 8.4 An example of effectiveness measures for an online ad campaign



1. Audience or traffic-building goals. These define targets for using **online site promotion** and **offline site promotion** to drive quality visitors or traffic to a website or other social presence that convert to the outcomes required (sales, lead, newsletter sign-up, social interaction) at an acceptable cost.

Here are some examples of **SMART traffic-building** objectives, which can be expressed as visitors, visits or sales:

- achieve 100,000 unique visitors or 200,000 visitor sessions within one year;
- deliver 20,000 online sales at an average order value of £50 and a

cost-per-acquisition of £10;

- convert 30 per cent of existing customer base to active use (at least once every 90 days) of online service;
- achieve 10 per cent ‘share of searches’ within a market.

2. Conversion or interaction goals. Use onsite communications to deliver an effective message to the visitor that helps influence perceptions or achieves a required marketing outcome. The message delivered on-site will be based on traditional marketing communications objectives for a company’s products or services. For example:

- encourage trial (for example, achieve 10 per cent conversion of new unique visitors to registration or downloads of a music service such as iTunes or Spotify);
- build in-house permission-based list (increase email database by 10,000 during year through data capture activities);
- encourage engagement with content (conversion of 20 per cent of new unique visitors to product information area);
- persuade customer to purchase (conversion of 5 per cent of unique new visitors);
- encourage further purchases (conversion of 30 per cent of first-time buyers to repeat purchasers within a six-month period).

To estimate a realistic number of conversions, we recommend creating conversion-based models like that shown in [Figure 8.5](#). Take, for example, the objectives of a campaign for a B2B services company such as a consultancy company, where the ultimate objective is to achieve 1,000 new clients using the website in combination with traditional media to convert leads to action. To achieve this level of new business, the marketer will need to make assumptions about the level of conversion that is needed at each stage of converting prospects to customers. This gives a core objective of 1,000 new clients and different critical success factors based on the different conversion rates.

If there are no products available for sale online, such as a luxury car manufacturer or a high-value B2B service offering whitepaper downloads, then it is less clear how to calculate ROI.

To get the most from campaigns that don’t result in sales online and

optimise their effectiveness, it is useful to put a value or points score on different outcomes – for example, in the case of the car manufacturer, values could be assigned to brochure requests (5 points or £20), demonstration drive requests (20 points or £100) or simply visits to the site involving reviewing product features information (1 point or £1). This approach is known as ‘value event scoring’.

Through knowing the average percentage of online brochure requests or demo drive requests that convert to sales, and the average order value for customers referred from the website, then the value of these on-site outcomes can be estimated. This is only an estimate, but it can help inform campaign optimisation, by showing which referring sites, creative or PPC keywords and pages visited on the site are most likely to generate desirable outcomes.

3. **Third-party site reach and branding goals.** Reach, influence and engage with prospective customers on third-party sites such as online news and magazines sites, portals and social networks:
 - reach a targeted audience of 500,000 during the campaign;
 - create awareness of a product or favourability towards a brand (measured through brand research of brand awareness, brand favourability or purchase intent through using an online brand-tracking service such as ScanmarQED, (<https://www.scanmarqed.com>)).
4. **Multichannel marketing goals.** Integrate all communications methods to help achieve marketing objectives by supporting **mixed-mode buying**. Examples of mixed-mode buying objectives include:
 - achieve 20 per cent of sales received in the call centre as a result of website visits;
 - achieve 20 per cent of online sales in response to offline adverts;
 - increase average amount spent in store for every active site visitor from £3 to £4;
 - reduce contact-centre phone enquiries by 15 per cent by providing online customer services.
5. **Longer-term brand engagement goals.** One of the biggest challenges of online marketing, indeed marketing through any channel, is to

sustain long-term interactions leading to additional sales. These are measured through lifetime value, loyalty and customer interactions.

Online site promotion

Internet-based technique used to generate website traffic.

Offline site promotion

Traditional techniques such as print and TV advertising used to generate website traffic.

SMART

Specific, Measurable, Actionable, Relevant and Time-related.

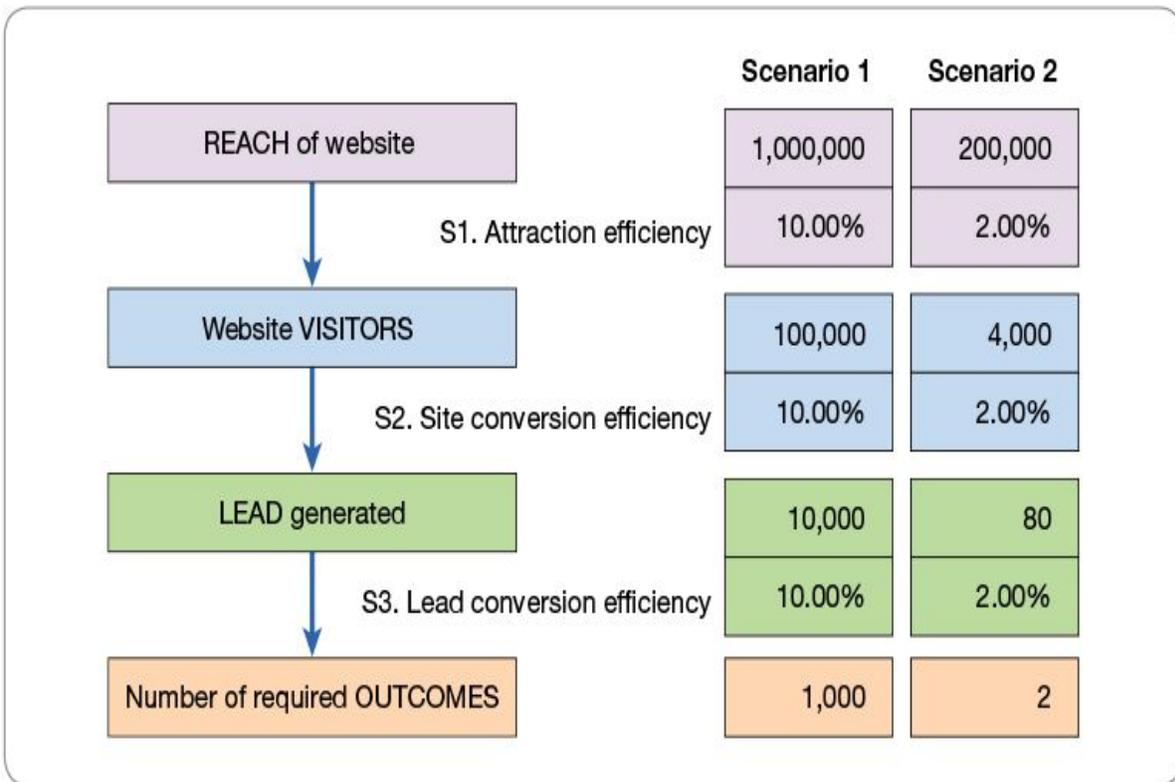
Traffic building

Using online and offline site promotion techniques to generate visitors to a site.

Mixed-mode buying

The customer's purchase decision is influenced by a range of media such as print, TV and Internet.

Figure 8.5 Conversion marketing approach to objective setting for web communications



Customer engagement communication shows the importance of capturing and maintaining up-to-date customer details, such as email addresses and mobile phone numbers.

Campaign response mechanisms

Digital media have increased the choice of response mechanisms. Reviewing response mechanisms is important since too narrow may limit response, but too broad and unfocused may not give the right types of response – marketers need to emphasise the response types or customer journeys most favourable to the overall success of the campaign in their creative and messaging. Policies for response mechanisms across campaigns should be specified by managers to ensure the right approach is used for all campaigns.

Response mechanisms will naturally vary depending on type of product. So, brands such as fast-moving consumer goods brands do not have to drive visitors to their own site; through advertising and creating interactive microsites on third-party sites, they can potentially be more effective in reaching their audience, who are more likely to spend their time on online media sites than on destination brand sites.

Online response mechanism

The required response mechanisms should be specified in the digital campaign plan and the number of responses from each model. **Figure 8.6** suggests the typical options of outcomes to online campaign media. From the creative shown using media such as a display ad, pay-per-click ad or rented email newsletter, there are five main options.

1 Home page

In the majority of cases, investment in online media will be wasted if visitors are driven from the **media site** to the home page of the **destination website**. Typically, it is appealing to many audiences and offering too much choice – it won't effectively reinforce the message of the online creative or convert to further action.

Media site

Typical location where paid-for ads are placed.

Destination website

Site typically owned by a retailer or manufacturer brand, which users are encouraged to click through to.

2 Microsite/landing page

Figure 8.6 Range of response mechanisms from online media

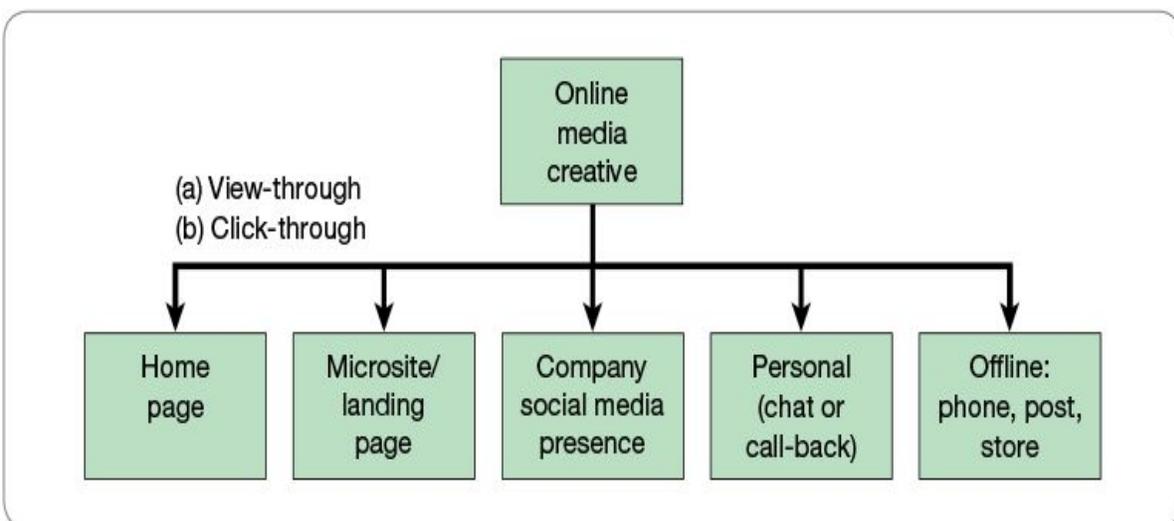


Figure 8.7 Alternative response mechanisms for a business-to-business landing page example



A focused **landing page** or specially created microsite can more effectively convert visitors to the action to help gain a return on the online campaign investment. **Figure 8.7** shows an example of a landing page giving a range of response mechanisms, although offline is omitted. A **URL strategy** is used to make the page easy to label in offline creative. This specifies how different types of content on a site will be placed in different folders or directories of a website (this can also help with search engine optimisation). For example, if you visit the BBC site (www.bbc.co.uk), look at how the web address details vary as you move from one section to another, such as News or Sport. An individual destination page on a website may be labelled, for example, www.company.com/products/insurance/car-insurance. A further example is

where site owners have to make a decision on how to refer to content in different countries, either in the form:

http://<country-name>.<company-name>.com

Landing page

A destination page when a user clicks on an ad or other form of link from a referring site. It can be a home page but, more typically and desirably, it is a page with the messaging focused on the offer in the ad. This will maximise conversion rates and brand favourability.

URL strategy

A defined approach to how content is labelled through placing it in different directories or folders with distinct web addresses.

or the more common:

http://www.<companyname.com>.com/<country-name>

Campaign URLs or CURLs are less widely used today, the idea being that they will be more memorable than the standard company address and blend in with the campaign concept. For example, an insurer used the CURL www.quotemehappy.com, which represents memorable elements of the campaign. Also memorable is www.subservientchicken.com – a viral hit from ten years ago for Burger King and reinvigorated for 2015 under the hashtag #ChickenRedemption. Another technique used to encourage viewers of print, TV and video ads to engage with a brand via their website is to encourage a Google search around the campaign. This also has the benefit that it can be tracked when searchers click on the organic or paid listings. Hashtags are another form of response mechanism available on social networks.

Campaign URL or CURL

A web address specific to a particular campaign.

3 Company social media presence

It's a common technique for ads within social networks such as Facebook, Instagram, LinkedIn and Twitter to link directly to a social post or company page. These ads can potentially also link through to a website – both options are

available. It's rare for ads on media sites outside of social networks to link to a social network since the communication messages and response can be better controlled on a website landing page.

4 Personal (chat or call-back)

In this case the creative or landing page encourages campaign respondents to 'talk' directly with a human operator. It is usually referred to as a **call-back service** and integrates web and phone. Buttons or hyperlinks encourage a call-back from a telephone operator or an online chat. The advantage of this approach is that it engages the customer more and will typically lead to a higher conversion-to-sale rate since the customer's questions and objections are more likely to be answered and the personal engagement is more likely to encourage a favourable impression. Automated solutions such as chatbots are increasingly being used as a mechanism for providing customer support and developing relationships. But care must be taken to ensure that the use of an automated solution delivers the required value. See [Digital marketing insight 8.2: Chatbots help you to cook](#).

Call-back service

A facility available on the website for a company to contact a customer at a later time as specified by the customer.

Digital marketing insight 8.2: Chatbots help you to cook

Microsoft and expert chef Heston Blumenthal are working together on a Skype bot, which provides tips on cooking skills, stories and recipes. The bot is updated monthly with seasonal menus and is available through Skype. The Heston.bot (according to Blumenthal) gives people an insight into his thought processes, his cooking methods and the inspiration to experiment with his recipes. The bot is built using AI technology and shows the potential for bots in terms of versatility and the extent to which they can begin to interact and learn from users.

Source: Woollaston (2017)

Digital marketing insight 8.3: What's in a hashtag – #!?

No major campaign today is complete without a hashtag, but where did the trend start? Here's the timeline:

- August 2007 – Hashtags first proposed for use on Twitter;
- July 2009 – Twitter officially embraces the hashtag linking to a list of all Tweets for anything preceded by #;
- January 2011 – Instagram adds hashtag support;
- Spring 2011 – Twitter plays a role in the civil unrest of the Arab Spring; #Bahrain becomes one of the most used hashtags of all time;
- October 2011 – Google+ begins automatically linking all hashtags in posts;
- January 2013 – Half of Superbowl ads include a hashtag;
- June 2013 – Facebook begins supporting hashtags;
- October 2013 – celebrity use of Twitter for ads (discussed in [Chapter 3](#)); the Advertising Standards Authority (UK) and the Federal Trade Commission (USA) state that adverts made via a celebrity's Twitter page should incorporate the hashtag '#ad' or other indication of a commercial arrangement.

Since 2013 we've seen how hashtags can help make the connection between a social media concept and a campaign such as an offer or regular content. Perhaps the most interesting development in the applications of hashtags in marketing campaigns is the variety of applications that engender a 'competitive spirit'. From the ice bucket challenge to the race for the most 'reTweeted post', Tweeters everywhere engage in digital channels to be heard and shared.

Moreover, social media has fundamentally changed the communication landscape and surpassed traditional media's (radio, television) capacity to engage audiences (Moe *et al.*, 2016). Which are your favourite or memorable hashtags? A good way to investigate them is through searching on a brand in Twitter.

5 Offline: phone, post or store

If part of a campaign is run online it does not mean that offline responses should be excluded. Offline response mechanisms should not be discarded unless the cost of managing them cannot be justified, which is rarely the case.

Offline response goals for multichannel integration

We also need to include the right response mechanism for the offline media element of the campaigns such as TV ads, print ads or direct-mail pieces. The permission-based **web response model** is one that is frequently used today in direct marketing ([Chapter 6](#)). For example, this process could start with a direct mail drop or offline advert. The website is used as the direct response mechanism, hence 'web response'. Ideally, this approach will use targeting of different segments. For example, a Netherlands bank devised a campaign targeting six different segments based on age and income. The initial letter was delivered by post and contained a PIN (personal identification number) that had to be typed in when the customer visited the site. The PIN had the dual benefit

that it could be used to track responses to the campaign, while at the same time personalising the message to the consumer. When the PIN was typed in, a ‘personal page’ was delivered for the customer with an offer that was appropriate to their particular circumstances.

Web response model

The website is used as a response mechanism for offline campaign elements such as direct mail or advertising.

Step 2. Campaign insight

Research into the target audience and how they select products and services within the marketplace is core to a campaign planning approach. When a company is working with an agency, the marketer at the client company will incorporate initial customer insight into a brief as part of the agency completing a **client discovery process**. This will give agency staff valuable information about the audience and marketplace.

Client discovery process

An initiative to learn what a client or brand needs from a campaign, their strategic initiatives that it must align with, their goals and their marketing outcomes.

More detailed campaign insight will be accessed and analysed once the agency or internal team are working on the campaign. Large agencies use ‘data planners’ or ‘customer communications planners’ to review all available external data sources such as market, audience and internal data on customer profiles and past campaign results on the most effective channels in generating product sales to assist clients in strategic development and execution of campaigns. This data is then used to inform campaign targeting and media selection.

For example, a brief might specify that a FMCG client wants to run an online promotional campaign, with the goal of stimulating trial of products and adding to a prospect database through encouraging online registration. The campaign strategy or offer is based around offering daily prizes. The data planner involved uses all transactional data collected from previous similar campaigns

to be linked to socio-demographic data, which is then coupled with transactional information.

Customer insight for digital marketing campaigns

There is a wealth of customer insight information available for digital marketing campaigns, but it varies by sector. So it is important during the briefing or pre-planning stage to list all the possible information sources and then evaluate which are worthwhile, since some are free and some are paid syndicated research.

Examples of the types of customer insight related to online competitor and audience behaviour that might be accessed at this stage in the campaign from third-party syndicated research sources include:

- **Site audience reach and composition.** What is the breakdown of audiences by age, gender or socio-economic group on different sites? This data is available from online audience panel providers such as comScore™ and Hitwise™.
- **Online buying behaviour and preferences.** For example, audience panel services such as comScore, Nielsen and Jumpshot™ are able to analyse customer journeys to determine preferences for browsing and buying on desktop or smartphone, or via retailers or direct with the manufacturer brand.
- **Customer media consumption.** The usage of different offline and online media for different target demographics can be accessed from sources such as Hitwise.
- **Customer search behaviour.** The proportion of different search phrases and their importance can be used to inform messaging.
- **Competitor campaign activity.** The activity of current advertising campaigns and previous seasonal campaigns – for example, in the UK this is available from www.ebiquity.com.
- **Competitor performance.** This will give information on the audience size (reach) and composition of competitor sites, and services such as Hitwise can show which marketing techniques (such as search engine marketing or affiliate marketing) are successful in driving visitors to a competitor since referring sites and search terms can be accessed.

Big Data is increasingly being used to provide market intelligence on insights into consumer and competitor behavior. For example, Ebiquity™ is an

independent market analytics company that helps businesses save money on advertising and promotions and improves ROI for marketers (see <https://www.ebiquity.com/en/about-us/client-results-case-studies>).

Step 3. Segmentation and targeting

Campaign targeting strategy defines the target audience or type of people that you need to reach with your campaign communications. It’s about defining, selecting and reaching specific audiences online. Targeting methods vary according to the market, campaign and e-communications tools involved. The key targeting issues to define for the online elements of a campaign are:

- quality of insight about customer or prospect available to assist with targeting;
- range of variables or parameters used to target – e.g. audience characteristics, value, needs and behaviours;
- identifying the targeting attributes or variables that will influence response;
- specific targeting approaches available for the key e-communications tools – e.g. online advertising, search engine marketing and email marketing.

The targeting approaches used for acquisition and retention campaigns will naturally depend on established segmentations and knowledge about customers. (We have also discussed targeting approaches from a strategic basis in Chapters 4 and 6.) From a campaign point of view, Table 8.2 shows some of the main targeting variables that can be reviewed in digital campaign planning.

Let’s look at each targeting variable in a little more depth:

Table 8.2 A range of targeting and segmentation approaches for a digital campaign

Targeting variable	Examples of online targeting attributes
1 Relationship with company	New contacts (prospects who haven’t purchased), ‘nursery’ (new customers), existing customers, lapsed customers
2 Demographic segmentation	B2C: age, gender, social group, geographic location B2B: company size, industry served, individual

	members of decision-making unit
3 Psychographic or attitudinal segmentation	Attitudes to risk and value when buying, e.g. early adopter, brand loyal or price conscious
5 Value	Assessment of current or historical value and future value
5 Lifecycle stage	Position in lifecycle, related to value and behaviour, i.e. time since initial registration, number of products purchased, categories purchased in
6 Behaviour	Search term entered into search engine; interaction with content in websites or emails; responsiveness to different types of offers (promotion or product type); responsiveness to campaigns in different channels (channel preference); purchase history in product categories including recency, frequency and monetary value (Chapter 6)

1. **Relationship with company.** Campaigns will often be intended to target new contacts *or* existing contacts. But remember, some communications – such as e-newsletters and email campaigns – will reach both. Marketers have to consider whether it will be cost-effective to have separate communications for new, existing and lapsed contacts – or to target each of these groups in the same communications but using different content aimed at each. When visitors click through to your website from online and offline campaigns, copy should be presented that recognises the relationship or, again, provides a range of content to recognise each different relationship. Visit Microstrategy® (www.microstrategy.com) to see how its registration page establishes the relationship.
2. **Demographic segmentation.** This is typically based on age, gender or social group. Online demographics are often used as the basis for sites to purchase display advertising or for renting email lists. Demographics can also be used to limit or focus who pay-per-click search ads are displayed to.
3. **Psychographic or attitudinal segmentation.** This includes attitudes to risk and value when buying – e.g. early adopter, brand loyal or price conscious. It is less straightforward to target on these attributes of a consumer since it is easier to buy media based on demographic

breakdown. However, certain sites may be more suitable for reaching a particular psychographic audience. The psychographic characteristics of the audience are still an important part of the brief, to help develop particular messages. It is possible to collect attitudinal information on a site and add it to the customer profile. For example, Wells Fargo & Company™ asks investors to select:

- the type of investment preferred (individual stocks or mutual funds); and
 - what type of investor best describes you? (aggressive growth to more cautious).
4. **Value.** The higher-value customers (indicated by higher average order value and higher modelled customer lifetime values) will often warrant separate communications with different offers. Sometimes digital channels are not the best approach for these customers – relationship managers will want direct contact with their most valuable customers, while digital channels are used to communicate more cost-effectively with lower-value customers. It is also worth considering reducing the frequency of emails to this audience.
 5. **Lifecycle stage.** This is very useful where customers follow a particular sequence in buying or using a service, such as online grocery shopping or online banking. As explained in [Chapter 6](#), automated, event-triggered email marketing can be developed for this audience. For example, online bank First Direct™ uses a six-month welcome strategy based on email and direct mail communications. For other campaigns, the status of a customer can be used for targeting – for example, not purchased nor used service, purchased once, purchased more than five times and active, purchased more than five times and inactive, etc.
 6. **Behaviour.** Behavioural targeting is one of the big opportunities provided by digital marketing. It involves assessing customers' past actions in following links, reading content, using online services or buying products, and then follows up on these with a more relevant message based on the propensity to act estimated on the previous action. Online options for behavioural targeting can be illustrated by a travel company such as [lastminute.com](#):
 - *Pay-per-click search engine marketing* makes targeting possible according to the type of keyphrase typed when a potential customer searches for information. A relevant ad specific to a holiday destination the prospect is looking for – e.g. 'Hotel New York' – can then be shown.

- *Display advertising* makes behavioural targeting possible since cookies can be used to track visitors across a site or between sites and display relevant ads. If a site user visits the travel section of a newspaper site, then the ad about ‘lastminute’ can be served as they visit other content on this site, or potentially on other sites.
- *Email marketing* can be targeted based on customer preferences indicated by links they have clicked on. For example, if a user has clicked a link on a holiday in North America, then a targeted email can be delivered relevant to this product or promotion. More sophisticated analysis based on RFM (Recency, Frequency and Monetary value) analysis ([Chapter 6](#)) can also be used.

When reviewing the options for which variables to use, the campaign planner must keep in mind that those selected for targeting should be those that are most likely to influence the level of response for the campaign. It is possible to target on many variables, but the incremental benefit of targeting on additional variables may not be worth the cost and effort. [Figure 6.12](#) indicates the general improvement in campaign response dependent on the type of targeting variables used.

Within digital media campaigns there are many options for targeting, which we will explore in more detail in the next chapter, such as:

1. **Targeting using search marketing.** Targeting via intent or the types of keywords people search on as they look for products, information or experiences.
2. **Targeting using display advertising.** As with targeting using traditional publications, targeting is possible using audience composition of different websites.
3. **Targeting using social media.** Each main social media platform offers opportunities for granular targeting, as shown in [Figure 8.8](#) for Facebook. Similarly, LinkedIn enables targeting of LinkedIn members by location, company type and size, role, seniority and group membership.
4. **Targeting using affiliate marketing.** This will use a combination of search, display and social media techniques.

[Figure 8.8](#) shows a tool related to content marketing aimed at helping marketers to review the effectiveness of different types of paid, owned and earned media to promote or distribute their content. Its aim is to review existing and potential use of different digital media in generating site visits, leads or sales compared

to the level of investment in applying the media measured as paid media costs and the costs of marketing team members.

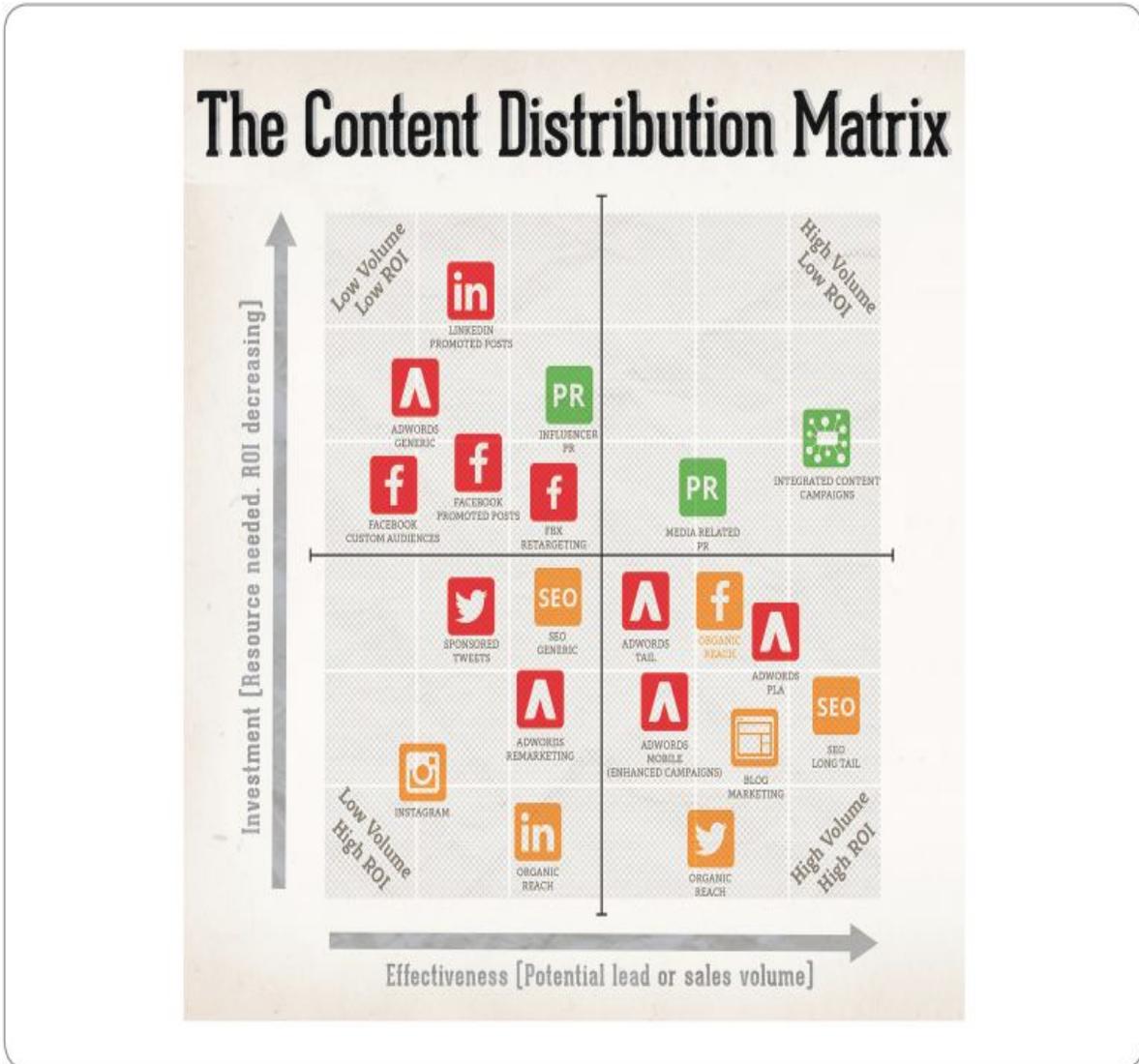
It uses a similar ‘gap analysis’ approach to the Content Marketing Matrix (Figure 8.9) to compare current use of media to promote content against existing investment in content:

- **Step 1.** Current use of media for content distribution.
- **Step 2.** Review promotion gap against competitor or sector use of content distribution techniques.
- **Step 3.** Select and prioritise new methods of content promotion.

The four types of media shown on the matrix are:

- **Wasteful media (lowest volume, highest cost).** Your aim here should be to reduce costs through budget reallocation and/or efficiency improvements.
- **Slow and steady media (lowest volume, lowest cost).** The least important to act on, but you need to make sure you are not distracted by these. Here, the aim is to minimise costs and review potential of techniques for improvement.
- **High-cost volume-driver media (highest volume, highest cost).** You should aim to reduce costs and make efficiency improvements.
- **Star performers (highest volume, lowest cost).** The aim here is to add more focus to scale volume further. Companies use this template in combination with analytics or lead reporting systems to identify which media are driving volume and how cost-effective they are.

Figure 8.8 The Content Distribution Matrix



Source: SmartInsights.com (with permission)

Step 4. Offer, message development and creative

Many digital campaigns have direct response as the primary objective. Defining the right offer is vital to achieving these response objectives. But there are also likely to be brand objectives, to communicate the ‘big idea’ or concept behind the campaign or to position the brand.

In an online environment, there is very little time for the message to be delivered and the design and position of content on the page can influence the success of a message. Lui *et al.* (2011) discovered that visitors to web pages screen-out certain types of content: they respond more to visual information

than text and if voiceover is used the viewer tends to fix their gaze on the image rather than the text. Eye-tracking studies, monitoring the gaze of website visitors, have also shown that the age, cognitive ability and gender affect the average gaze or dwell times. The average dwell time for a whole page may be around ten seconds, but a high proportion leave a website immediately and individual fixation times on page elements such as page headlines or ads are much lower, so it is important the message is succinct and powerful.

The implication for digital creative designers is that there should be a clear primary message but its placement varies according to the delivery and type of digital media:

- **Paid search:** within the headline of the ad.
- **Natural search:** within the <title> tag and meta description tag (see [Chapter 9](#)).
- **Email marketing:** within the subject line and the headline or title of the email, supported by images.
- **Display ads:** within the opening frame and possibly repeated in all frames.

The primary message should deliver relevance according to the context, so within paid search the primary message should be consistent with the search term entered by the user and should highlight the value proposition clearly. To successfully communicate an offer and message, marketers also need to ensure that the creative and copy helps achieve the five stages of information processing shown in [Table 7.3](#) – i.e. Exposure, Attention, Comprehension and Perception, Yielding and Acceptance, and Retention. Additionally, it is also important to consider that while the time spent looking at a single message is short, the cumulative time spent consuming digital content on a daily basis can be quite significant; which increases the opportunity to see a message. According to the IAB (2017), in the UK adults spend on average just over three hours a day online and consume just under 50 per cent of their digital content via a mobile phone. The device used to receive the content also has implications for designing digital messages.

Finally, it is also important to consider the objectives of the offer – for example, capture attention, develop interest or stimulate action. This may involve a primary offer and message; the creative needs to stimulate desire and action with the secondary offer and message, which:

- reassures prospects by giving a little more evidence of the offer or product benefits;
- convinces the sceptic and encourages them to click;
- can appeal to different types of person to the primary offer;
- again, should have a clear call-to-action.

Content marketing

We introduced the growing role of content marketing within digital marketing communications in [Chapter 1](#). We believe that content marketing should be at the heart of digital marketing for all types of brands, because content fuels all the main digital marketing channels we use to communicate with our audiences. Search, social media, conversion rate optimisation and email marketing all require content that helps a brand increase its visibility, engage its audience and drives leads and sales. Within a campaign, content is vital as the method of engaging the audience and generating demand, whether this is educational content as part of a business-to-business campaign or video content as part of a consumer campaign. The only case where the role of content is diminished is where the main campaign offer is a price cut, discount or sale.

Given the importance of content marketing, many businesses now look to develop a content marketing strategy as part of their digital marketing campaigns or always-on activities. As with all strategies, this will involve review of the current approach, setting specific objectives and developing strategies to create and share content. To review how content can best support digital marketing, Dave Chaffey developed the Content Marketing Matrix with Dan Bosomworth of Smart Insights (2014). Activity 8.1 explains how this can be used to identify the right content types.

Activity 8.1: Using the Content Marketing Matrix to audit and improve content effectiveness

We recommend the Content Marketing Matrix ([Figure 8.9](#)) as a key technique to review current use of different content formats and to identify new types of content that could be useful for a business.

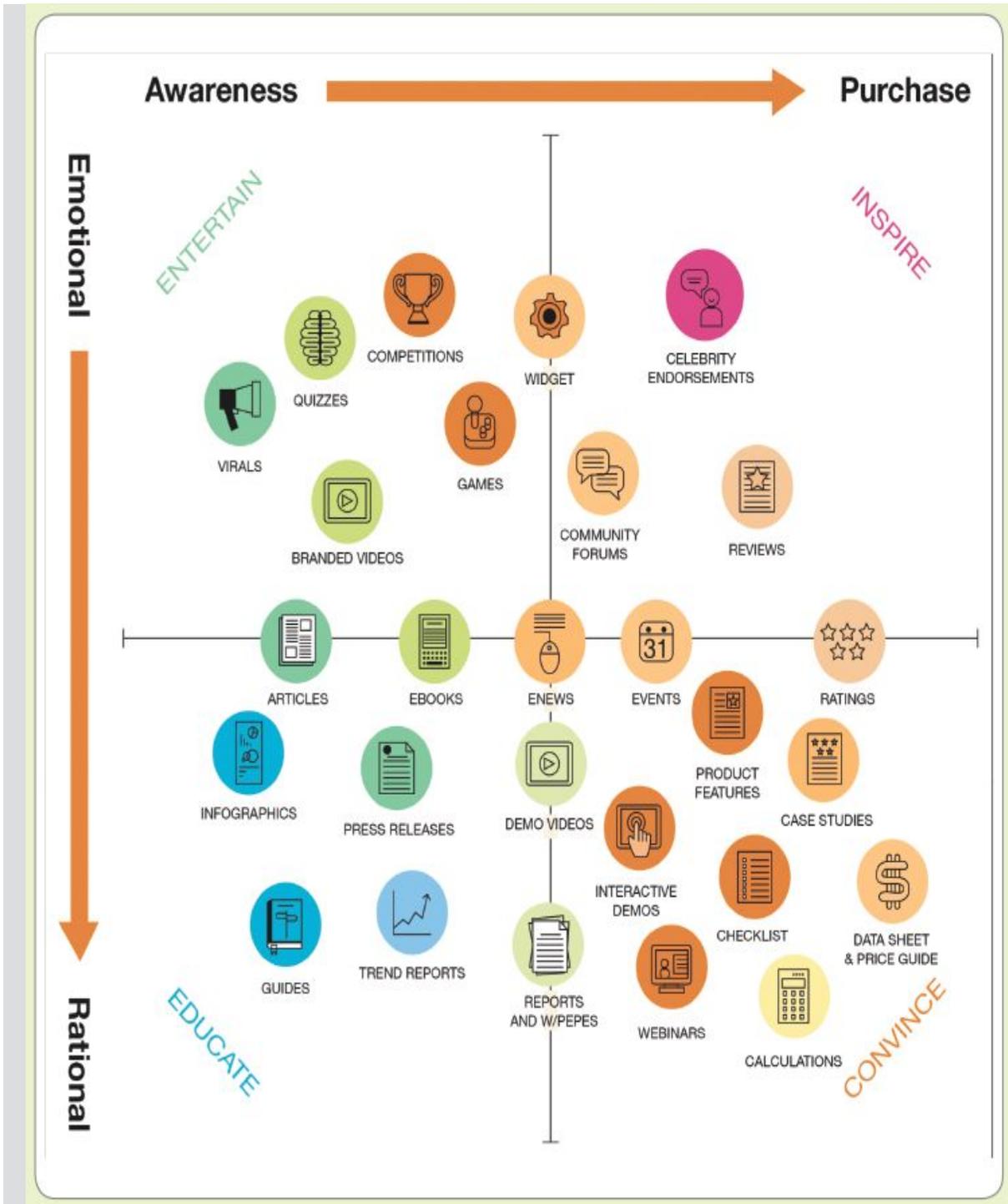
The matrix is structured to help you think through the dimensions of different content based on how an audience could find content valuable and what you're trying to achieve as a business.

Activity

Complete this process to review a company's use of different types of content to support marketing:

- 1. Review current use of content within the company through plotting different content types on the grid.**
- 2. Repeat this review for two to three competitors (direct or indirect), again plotting on the grid.**
- 3. Brainstorm future possible content types.**
- 4. Define criteria for investing in content (e.g. generating reach, helping conversion, existing customers).**
- 5. Use your criteria from Step 4 to prioritise the two or three types of content needed to trial in content campaigns.**

Figure 8.9 The Content Marketing Matrix



Source: SmartInsights.com (with permission)

Step 5. Budgeting and selecting the digital media mix

Digital marketing campaign plans require three important decisions to be made about investment for the online promotion or the online communications mix. These are:

1. Level of investment in digital media as opposed to traditional media.
2. Mix of investment in digital media channels or e-communications tools.
3. Level of investment in digital assets.

1 Level of investment in digital media techniques in comparison to offline promotion

A balance must be struck between online and offline communications techniques based on the strengths and weaknesses of the different media options (Figure 8.10). A framework for considering media characteristics that influence decisions on which to invest in has been developed by Coulter and Starkis (2005) and remains popular (see Activity 8.2). Offline media are often superior in generating attention, stimulating attention and gaining credibility. Online media tend to be better at engagement due to personalisation, interaction and support of word of mouth. The offer can also often be fulfilled online for products that can be bought online. However, there are limits to the number of people that can be reached through online media (a limit to the number searching on particular terms) and the cost is not necessarily always lower in competitive markets.

Econometric modelling

Econometrics or **econometric modelling** is an established approach to understanding the contribution of different media in influencing consumers and ultimately generating sales and profit. It can also be used in a predictive way to plan for future campaigns. It is increasingly used in integrated campaigns to assess the appropriate media mix.

Econometric modelling

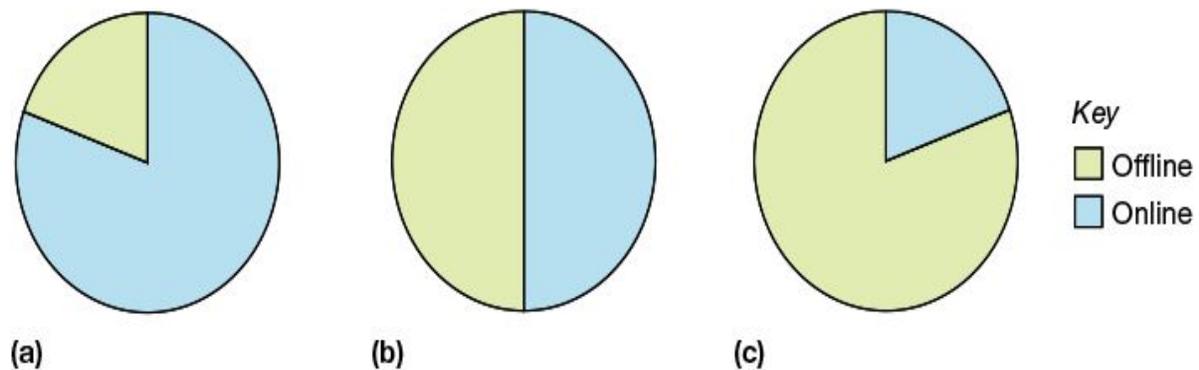
A quantitative technique to evaluate the past influence or predict the future influence on a dependent variable (typically sales in a marketing context) of independent variables, which may include product, price, promotions and the level and mix of media investments.

One of its main benefits is its ability to separate the effects of a range of influences, such as offline or online media usage or other variables such as

price or promotions used, and to quantify these individual effects. A simple example might be for the sales of a drinks brand:

$$\begin{aligned}
 \text{Sales} = & 100 + \\
 & + 2.5 \times \text{own TVRs (television ratings)} \\
 & - 1.4 \times \text{own price} \\
 & + 1.6 \times \text{competitor price} \\
 & + 1.0 \times \text{distribution} \\
 & - 0.8 \times \text{temperature} \\
 & - 1.2 \times \text{competitor TVRs}
 \end{aligned}$$

Figure 8.10 Options for the online vs offline communications mix: (a) online>offline, (b) similar online and offline, (c) offline>online



Activity 8.2: A framework for selecting media

Coulter and Starkis (2005) identified various factors when selecting media. For each factor area (e.g., quality, time), suggest how each factor can be applied when selecting digital media and what key considerations you should make.

Quality

1. **Attention-getting capability (Attention):** ability of an ad placed in this specific media to ‘grab the customer’s attention’ due to the nature of that media.
2. **Stimulating emotions (Stimulation):** ability of an ad placed in this specific media to convey emotional content and/or elicit emotional responses.
3. **Information content and detail (Content):** ability of an ad placed in this specific media to convey a large amount of information and/or product description.
4. **Credibility/prestige/image (Credibility):** ability of a specific media to lend prestige to a product through association (i.e. because that product is advertised within the media).
5. **Clutter** – degree to which it is difficult for a product advertised within a specific media to ‘stand out’ due to the large number of competitive offerings/messages.

Time

1. **Short lead time:** degree to which an ad can be created and/or placed within a specific media in a relatively short period of time.
2. **Long exposure time:** degree to which the communication recipient is able to examine the advertising message within a specific media for an extended period of time.

Flexibility

1. **Appeal to multiple senses (Appeal):** degree to which an ad placed within this specific media can communicate via sight, sound, taste, touch and/or smell concurrently.
2. **Personalisation:** degree to which an advertising message placed within this specific media can be customised in order to target a specific individual or group of individuals.
3. **Interactivity:** degree to which the customer can respond to information conveyed in an advertisement placed within this specific media.

Coverage

1. **Selectivity:** degree to which an ad placed within this specific media is able to target a specific group of people.
2. **Pass-along audience (Pass-along):** degree to which an ad placed within this specific media is seen by those other than the original message recipient.
3. **Frequency/repeat exposure (Frequency):** degree to which any single ad placed within this specific media may be seen by any one particular individual on more than one occasion.
4. **Average media reach (Reach):** degree to which an ad placed within this specific media reaches a relatively wide audience.

Cost

1. **Development/production cost (Development cost):** relative cost of developing or producing an ad for this specific media.
2. **Average media delivery cost (Delivery cost):** average cost-per-thousand associated with this specific media.

The relative importance of these characteristics and the investment in different digital media will be dependent on the product and the type of campaign – whether it is direct-response-orientated or brand-orientated – and the scale of budget.

These relationships are typically identified using multiple linear regression models where a single dependent variable (typically sales) is a function of one or more explanatory or independent variables such as price, temperature, level of promotion.

Econometric models are developed from historic time-series data that record fluctuations dependent on different variables including seasonal variables, but, most importantly, variations in media spend levels and the mix of media. In econometrics, sales fluctuations are expressed in terms of the factors causing them.

2 Selecting the right mix of digital media communications tools

When selecting the mix of digital media for a campaign or longer-term investments, marketers will need to determine the most appropriate mix and they may make this decision based on their knowledge built up through experience of previous campaigns and taking input from their advisers such as experienced colleagues or digital agency partners.

But digital media gives opportunities for structured evaluation including factors such as the ability of each medium to influence perceptions, drive a response, the cost of response and the quality of response – are respondents more likely to convert to the ultimate action such as sale? What is their likely lifetime value? For example, some digital media channels such as affiliates are more likely to attract customers with a lower lifetime value who are more likely to switch suppliers.

Media planning and buying agency Zed Media™ now part of Zenithoptimedia, produced a useful summary of how a media mix might typically vary according to budget (see [Figure 8.11](#)).

The figure shows that for a direct response campaign with limited budget, investment in controllable, targeted media that typically have a lower cost-per-acquisition such as affiliates and paid search should be the main focus. If more budget is available, it may not be possible to buy further keywords or there may be benefits from generating awareness of the offering through more display advertising.

With a brand campaign where the focus is on generating awareness, the recommendations of Zed Media, now known as Zenith Media™ are reversed where they recommend that, even at lower budgets, more investment should be made in display advertising.

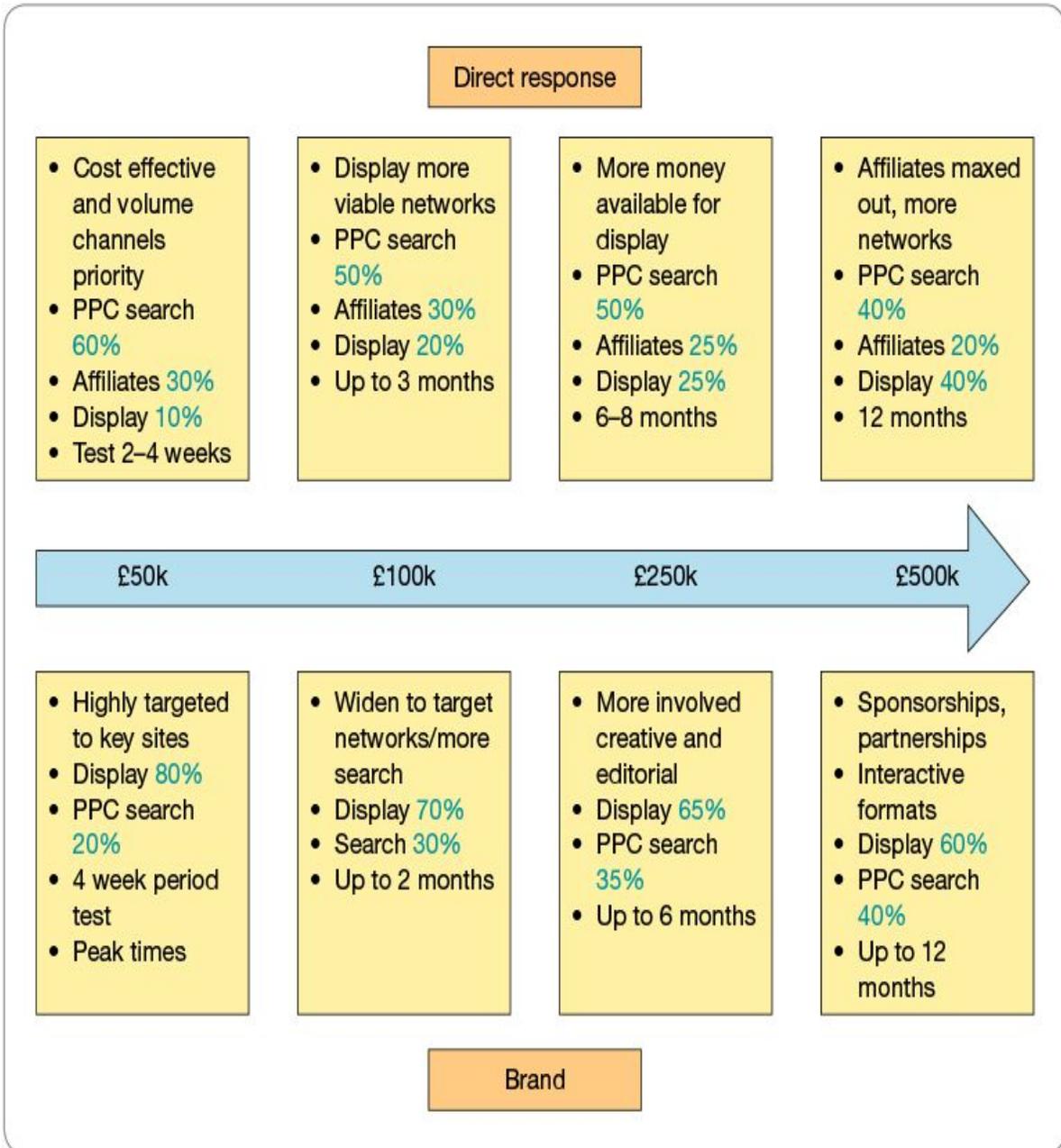
Deciding on the optimal expenditure on different communication techniques will be an iterative approach since past results should be analysed and adjusted

accordingly. Marketers can analyse the proportion of the promotional budget that is spent on different channels and then compare this with the contribution from purchasing customers who originated using the original channel. This type of analysis, originally reported by Hoffman and Novak (2000) and shown in [Table 8.3](#), requires two different types of marketing research. First, **tagging** of customers can be used. Here, we monitor, using specifically coded URLs or cookies, the numbers of customers who are referred to a website through different online techniques such as search ads, affiliate or banner ads, and then track the money they spend on purchases. [Digital marketing insight 8.4](#) gives more details of how the Google Analytics system is used.

Tagging

Tracking of origin of customers and their spending patterns.

Figure 8.11 Recommendations of the mix of investment in digital media for direct and brand response campaigns



Source: Zenith Media (www.zenithmedia.com)

Table 8.3 Relative effectiveness of different forms of marketing communications (on- and offline) for a B2C company

Medium	Budget	Contribution	Effectiveness
Print (off)	20%	10%	0.5
TV (off)	25%	10%	0.25
Radio (off)	10%	5%	0.5

PR (off)	5%	15%	3
Word of mouth (off)	0%	25%	Infinite
Banners (on)	20%	20%	1
Affiliate (on)	20%	10%	0.5
Links (on)	0%	3%	Infinite
Search engine registration (on)	0%	2%	Infinite

Digital attribution modelling and influence on sales to digital media channel

Digital attribution modelling offers a way to assess the efficiency of digital media channels (Sahlin, 2017). Marketers should seek to understand customer journeys and the multiple channels used during their journeys. It is seldom the case that a customer will go straight to a site and purchase, or that they will perform a single search and then purchase. Instead, they will commonly perform multiple searches and will be referred to the ultimate purchase site by different types of site. This consumer behaviour is indicated by [Figure 8.12](#). This shows that someone looking to purchase a car may be referred to a site several times via different digital communications channels. The increase in individual behavioral data, means greater measurability and ultimately more efficient digital advertising spend. According to Ghose and Todri-Adamopoulos (2016), based on analysis of mass consumer data sets ‘mere exposure to display advertising increases users’ propensity to search for the brand and the corresponding product’, and their work also revealed that display advertising increased a shopper’s likelihood of direct searching for the products and services they require (i.e., a visit to a particular website). In a multichannel trading environment, it is critically important to understand the efficiency and cost effectiveness of channels in order to maximise the effectiveness of a digital marketing strategy.

Digital attribution

Refers to assigning value to a set of individual actions in a particular or multichannel digital environment.

Digital marketing insight 8.4: Campaign tracking in Google Analytics

Defining a standard set of online marketing source codes is essential to determining the value of different referral sources such as ad campaigns or email campaigns.

Many companies track Ads because of its automated integration enabled from Google Ads, but they may not track other codes or have a standard notation that needs to be defined and then added to all links involving media placements.

Google Analytics uses five standard dimensions for a campaign, which need to be incorporated into the query string of the URL for each ad placement as this example shows: http://www.domain.com/landing_page.php?utm_campaign=spring-sale&utm_medium=banner&utm_source=<mediasitename>.com.

The campaigns report in Google Analytics will then enable you to compare the value generated by different campaigns and media within them.

The meaning of each of the five dimensions is:

- **utm_campaign (Required).** The name of the marketing campaign, e.g. Spring Campaign.
- **utm_medium (Required).** Media channel (i.e. email, banner, CPC, etc.).
- **utm_source (Required).** Who are you partnering with to push your message, for example a partner site.
- **utm_content (Optional).** The version of the ad (used for A/B testing) or in Ads. You can identify two versions of the same ad using this variable. This is not always used and is NOT included in the above example.
- **utm_term (Optional).** The search term purchased (if the link refers to keywords). This is not always used and is NOT included in the above example.

Many email and social media marketing tools now set these up automatically, but you can set them up manually – search for the ‘The Google URL builder’ to see how to create these links.

Figure 8.12 Example of different referrers contributing to a sale for a car rental company

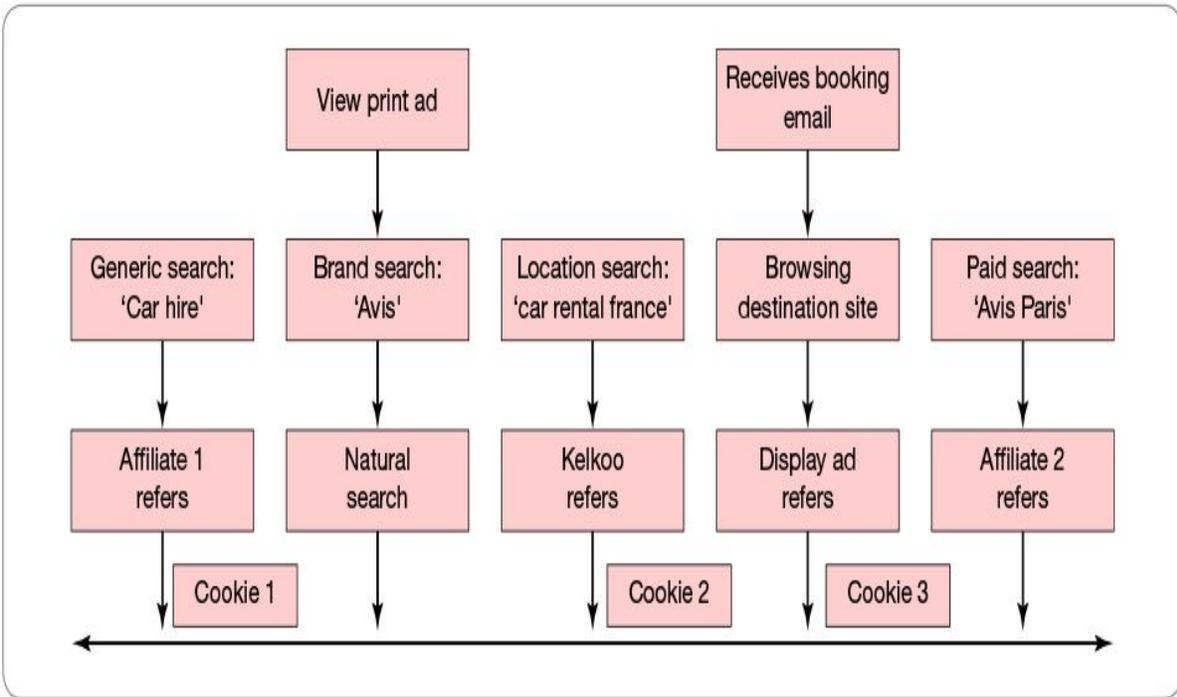
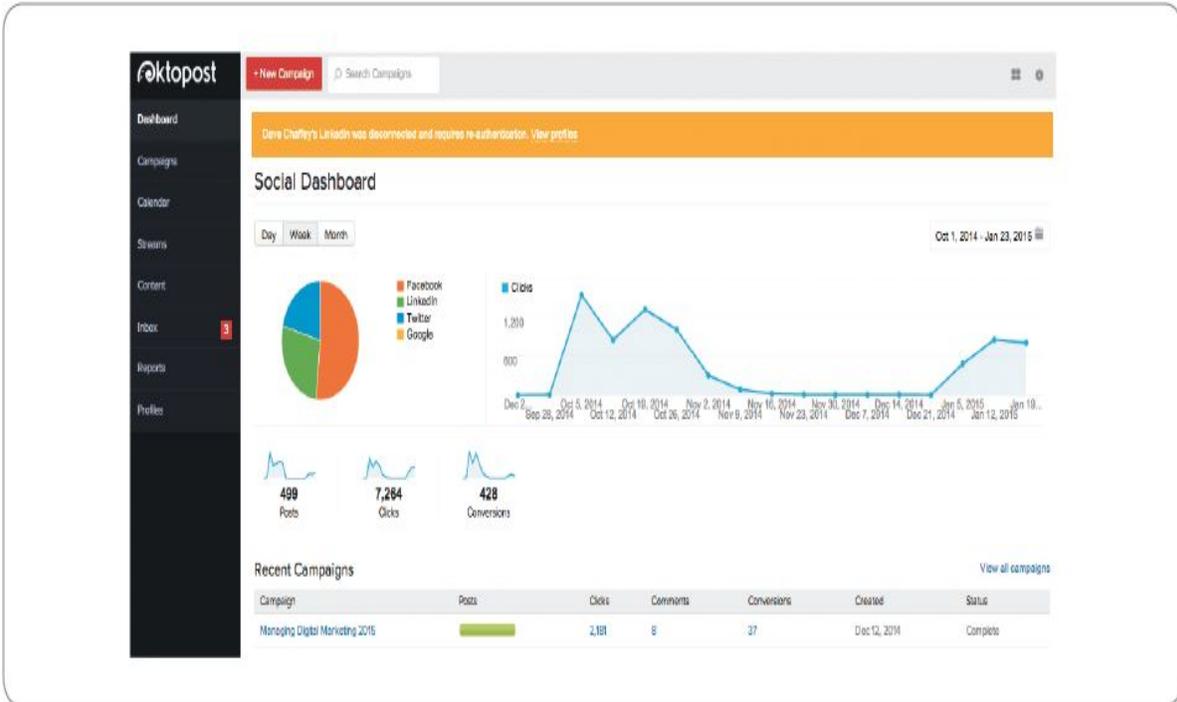


Figure 8.13 Example of different referrers contributing to a social media campaign



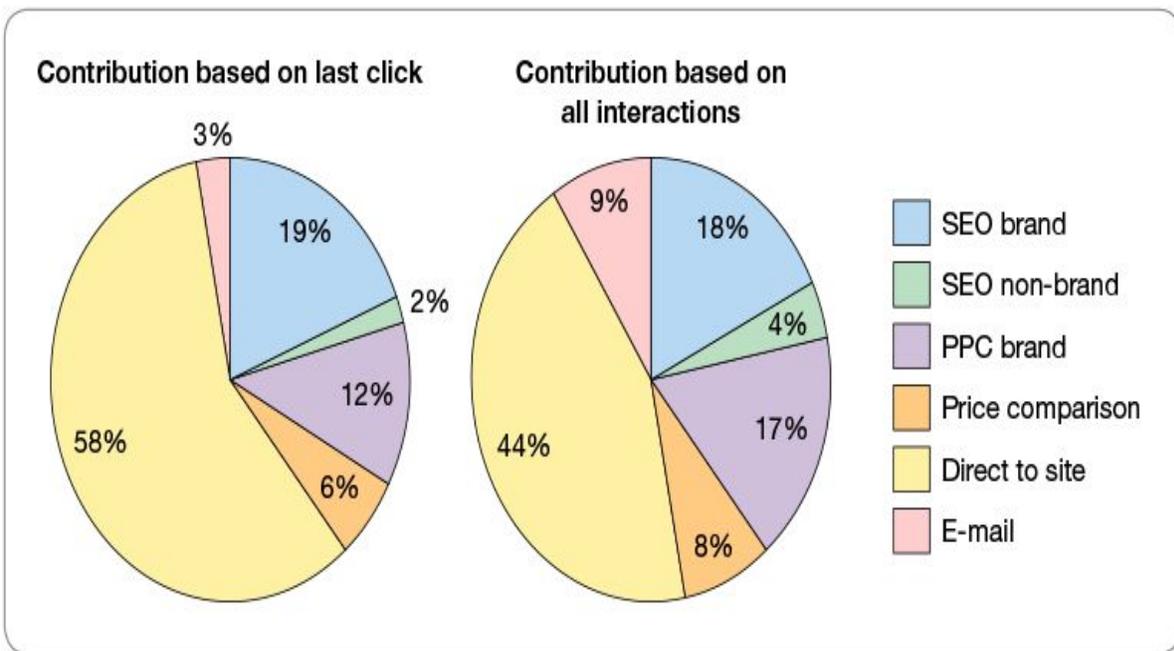
A common approach to attributing the influence of different online media a customer consumes before purchase has been the **last-click method of digital media channel attribution** introduced by Lee (2010). Figure 8.13 gives an

example of using a social media marketing tool to assess effectiveness on a last-click basis. It shows that when a business shares content across different social networks it can review how many clicks and conversion to leads are generated. In this example, Facebook is most effective by volume.

Last-click method of digital media channel attribution

The site that referred a visitor immediately before purchase is credited with the sale. Previous referrals influenced by other customer touchpoints on other sites are ignored.

Figure 8.14 Examples of the referring mix for an airline



Source: Lee (2010)

However, Lee explains that this can give a misleading picture of which marketing channels are effective. In an analysis of visitors to an airline site (Figure 8.14), he shows that although the overall patterns of referrers to the site at first appear similar, there are some major differences. If you refer to Figure 8.14 you can see that email marketing, SEO for non-brand terms and PPC for brand terms are more significant when looking at the contribution of all sources.

Referring to Figure 8.12, you can see this has the benefit that we don't credit multiple affiliates with sale for affiliate marketing – only Affiliate 2 is credited with the sale, a process known as **digital media de-duplication**. But it has the disadvantage that it simplifies the reality of previous influence or **digital media**

‘assists’ and previous referrals influenced by other customer touchpoints on other sites are ignored, such as the natural search or display ad.

Digital media de-duplication

A single referrer of a visit leading to sale is credited with the sale based on the last-click method of digital media channel attribution.

Digital media ‘assist’

A referrer of a visit to a site before the ultimate sale is credited with the sale, often through a weighting system.

So, for the most accurate interpretation of the contribution of different media, the online marketer needs to use tagging and analysis tools to try to build the best picture of which channels are influencing sales and then weight the media accordingly. For example, a more sophisticated approach is to weight the responsibility for sale across several different referrers according to a model – so just considering the affiliates, Affiliate 1 might be credited with 30 per cent of the sales value and Affiliate 2 with 70 per cent, for example. This approach is useful since it indicates the value of display advertising – a common phenomenon is the halo effect where display ads indirectly influence sales by creating awareness and stimulating sale at a later point in time. These are sometimes known as ‘viewthrough’ or ‘post-impression’ effects.

These allocation approaches won’t be possible if agencies are using different tracking tools and reporting separately on different media channels – for example, the ad agency reports on display advertising, the search agency on pay-per-click, the affiliate manager on affiliate sales. Instead it is important to use a unified tracking system that typically uses common tags across all media channels. Common unified tracking solutions that consider all media are available (e.g., from DoubleClick™ and some of the larger media agencies).

Further sophistication of tracking will be worthwhile for companies investing millions in digital media in order to understand the customer journey and the contribution of media. A useful analysis to perform is in the form shown in [Figure 8.15](#). This anonymised example shows the importance of display ads, for example, and how different channels support each other.

Achieving and measuring repeat visits is worthwhile since, according to Flores and Eltvedt (2005), on average, purchase intent sees a double-digit increase

after someone has been to a site more than once.

For some promotional techniques, tagging of links on third-party sites will not be practical. These will be grouped together as unattributed referrers. For word-of-mouth referrals, we have to estimate the amount of spend for these customers through traditional market research techniques such as questionnaires or asking at point of sale. The use of tagging enables much better insights on the effectiveness of promotional techniques than is possible in traditional media, but due to its complexity it requires a large investment in staff time and tracking software to achieve it. It is also very dependent on cookie deletion rates.

To see how a budget can be created for a digital campaign, complete [Activity 8.3](#).

3 Level of investment in digital assets

The **digital assets** are the creative that support a campaign. They include:

- display ad or affiliate marketing creative such as banners and skyscrapers;
- microsites;
- email templates;
- video, audio and other interactive media such as Flash animations, games or screensavers, which form a microsite.

Digital asset

The graphical and interactive material that supports a campaign displayed on third-party sites and on microsites. Includes display ads, email templates, video, audio and other interactive media such as Flash animations.

As with traditional media, there is a tension between spend on the advertising creative and the media space purchased to run the executions. There is a danger that if spend on media is too high, then the quality of the execution and the volume of digital assets produced will be too low.

Figure 8.15 Example of the sequence of visits to a site in generating conversions where two or more digital media channels were involved (codes for channels: D = Display, S = Search, X = Aggregator)

Channels	Sequence	% Conversions	Channel allocation
2	DS	34.01%	74.75%
	SD	20.98%	
	XS	8.35%	
	SX	7.33%	
	DX	2.24%	
	XD	1.83%	
3	DDS	7.74%	18.53%
	SDS	5.30%	
	SXS	3.05%	
	DXD	1.02%	
	DXS	0.81%	
	XSX	0.41%	
	SDX	0.20%	
4	SDSD	1.63%	4.48%
	DSDS	1.43%	
	DXDX	0.41%	
	DSDX	0.20%	
	DSXD	0.20%	
	DXDS	0.20%	
	DXSD	0.20%	
	SDSX	0.20%	
5	DSDSD	1.02%	1.43%
	SDSDS	0.41%	
6	DSDSDS	0.20%	0.61%
	SDSDSD	0.20%	
	SDSDXS	0.20%	
7	DSDSDSD	0.20%	0.20%

Activity 8.3: Creating a digital campaign budget

Purpose

To illustrate the type of budget created internally or by digital marketing agencies. [Figure 8.16](#) shows an extract.

Activity

Download the spreadsheet from <http://blog.davechaffey.com/spreadsheet> to understand how the different calculations relate to each other. Try changing the cost of media (blue cells) and different click-through rates (blue cells), for which typical values are shown for a competitive retail product. View the formulas to see how the calculations are made.

How would you make this model more accurate (i.e. how would you break down each digital media channel further)?

Figure 8.16 Spreadsheet template for digital campaign budgeting

Input parameter table		Overall budget	£10,000		Blue cells = input variables – vary these for 'what-if' analysis		
		Average order value	£50		Orange cells = output variables (calculated – do not overtype)		
		Gross profit margin	30.0%				
		Advertising		Search		Partners	
		Ad buys (CPM)	Ad network (CPM)	Paid search (CPC)	Natural search	Affiliates (CPA)	Aggregators
Media cost	Setup / creative / Mgt costs	£0	£0	£0	£0	£0	£0
	CPM	£10.0	£10.0	£4.0	£0.4	£10.0	£20.0
	CPC	£5.0	£5.0	£0.20	£0.20	£5.0	£10.0
	Media costs	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Total cost setup and media	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Budget %	10%	10%	30%	10%	10%	10%
Media impressions and response	Impressions or names	1,000,000	1,000,000	7,500,000	25,000,000	1,000,000	500,000
	CTR	0.2%	0.2%	2.0%	0.2%	0.2%	0.2%
	Clicks or site visits	2,000	2,000	150,000	50,000	2,000	1,000
Conversion to opportunity (lead)	Conversion rate to opportunity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Number of opportunities	2,000	2,000	150,000	50,000	2,000	1,000
	Cost per opportunity	£5.0	£5.0	£0.2	£0.2	£5.0	£10.0
Conversion to sales	Conversion rate to sale	100.0%	100.0%	100.0%	100.0%	50.0%	100.0%
	Number of sales	2,000	2,000	150,000	50,000	1,000	1,000
	% of sales	1.0%	1.0%	72.7%	24.2%	0.5%	0.5%
	Cost per sale (CPA)	£5.0	£5.0	£0.2	£0.2	£10.0	£10.0
Revenue	Total revenue	£100,000	£100,000	£7,500,000	£2,500,000	£50,000	£50,000
Costs	Cost of goods sold	£70,000	£70,000	£5,250,000	£1,750,000	£35,000	£35,000
	Media costs	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Total costs (inc media)	£80,000	£80,000	£5,280,000	£1,760,000	£45,000	£45,000
Profitability	Profit	£20,000	£20,000	£2,220,000	£740,000	£5,000	£5,000
	Return on investment	25.0%	25.0%	42.0%	42.0%	11.1%	11.1%

Source: www.smartinsights.com/conversion-model-spreadsheets

Step 6. Integration into overall media schedule or plan

In common with other communications media, digital media are most effective when they are deployed as part of an **integrated marketing** approach, which in the digital age is far removed from the traditional definitions of Integrated Marketing Communications (IMC) that sought to coordinate broadcast and print media channels and eventually digital media to deliver a clear and consistent message to achieve communication goals (Kotler *et al.*, 2001).

Integrated marketing

A planned approach to achieve communications goals by delivering consistent, coherent messaging, creative and branding to audiences across different channels and media placements. Creative treatments and interactivity should be designed to take advantage of specific channels such as social networks, email or website to make them more effective.

Digital media campaigns should be integrated to reach target markets, where individuals consume message content across multiple platforms (e.g. mobile, web, social media and combinations of all three), but also taking into consideration paid media (e.g., offline advertising, direct marketing), earned media (organic search, content marketing, PR) and owned media (social media, specific websites, email marketing) (Allen, 2017). [Figure 1.1](#) shows how different media types can be integrated to develop a coherent integrated marketing campaign.

The complex challenge of integrating this digital tapestry can be simplified by focusing on the characteristics of each channel, and identifying its strength, weaknesses and communication potential in relation to the message.

For example, Twitter has extensive reach, and is good for ‘short, witty and pithy messages, whilst Pinterest is great for content related to design, and aspirational content works best on Instagram’ (Allen, 2017).

Key activities in media selection and planning

The starting point for media planning, selection and implementation is to have clearly defined campaign objectives:

- For direct response campaigns, the most important objectives are response volume, quality and cost.

- For campaigns where awareness and branding are the main outcomes, branding metrics become important.

Pickton and Broderick (2001) identify six activities in media implementation: target audience selection, media objectives, media selection, media scheduling, media buying and media evaluation. [Digital marketing insight 8.5](#) gives another perspective.

A particularly important aspect for online media is that this evaluation and adjustment can – and should – occur during the campaign, in order to identify the best placements and creatives and to refine the ongoing media plan.

[Figure 8.17](#) shows how communications can be planned around a particular event (SE denotes ‘search engine’; C1 and C2 are campaigns 1 and 2). Here we have chosen the launch of a new version of a website, but other alternatives include a new product launch or a key seminar. This planning will help provide a continuous message to customers. It also ensures a maximum number of customers are reached using different media over the period.

Digital marketing insight 8.5: Different forms of campaign integration

The IPA (2011) report showed the popularity of alternative options for campaign integration. There was analysis of over 250 IPA Effectiveness Awards case studies, entered over a seven-year period (2004–2010), including examples from Hovis™, O2, Virgin Atlantic™, HSBC, E4 Skins, Johnnie Walker™ and more.

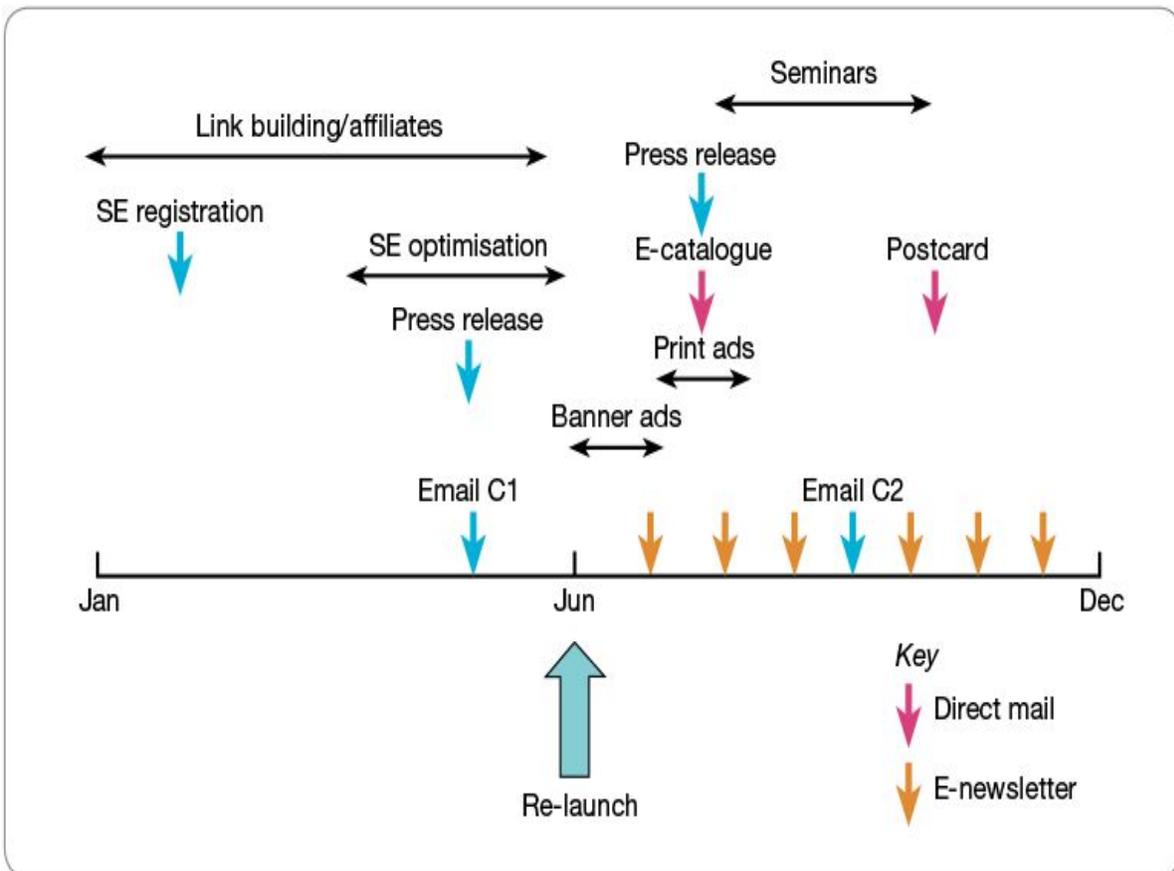
The report defines four options for integration:

1. No integration – single channel or campaigns using a number of channels but not integrating consistently across them. Analysis suggests that campaigns with no obvious integration or who use only one channel are good at reducing price sensitivity but have little impact on market share.
2. Advertising-led integration – channels unified around a common creative idea/‘matching luggage’ approach. Traditionally, integrated advertising-led campaigns were reported to be more effective at share gain and customer acquisition.
3. Brand idea-led ‘orchestration’ – unified around a shared brand concept or need-state platform, often built around core brand values of the organisation. Analysis of campaigns suggests that brand idea-led campaigns are highly effective in retention, share defence and profit gain.
4. Participation-led ‘orchestration’ – goal is to create a common dialogue or conversation, it has emerged in recent years, partly driven by digital media. The analysis in the report suggests that participation-led campaigns underperform on hard sales measures but

excel in rewarding existing users and on brand fame. Since they are relatively new, they are a small proportion of the total.

The research also found that multichannel campaigns are better at driving effectiveness than single-channel activity: 78 per cent of cases with three channels demonstrated hard business effects versus 67 per cent of those with only one channel. There is, however, a point of diminishing returns beyond three channels. It's surprising this difference isn't larger, but multiple channels fare well when considering other measures.

Figure 8.17 Integration of different communications tools through time



Finally, here are five questions about integration you must ask when creating a campaign:

- 1. Consistent branding and messaging.** Is the branding and messaging sufficiently similar (coherent) throughout the campaign?
- 2. Varying the offer, messaging and creative through the campaign.** Is offer and messaging varied sufficiently through the campaign? With each different medium and wave of the campaign, it can improve results to subtly vary the offer, message and creative. This might

appear to conflict with the first guideline, but the two can be compatible, since:

- different treatments and offers will appeal to different people and achieve different results;
- if each communication in a campaign is identical, then future campaign waves will be ignored;
- escalating or improving offers during a campaign can achieve better response.

3. Frequency (number) and interval of communications. Are you exposing the audience sufficiently or too much to your messages? This is a difficult balance to strike. In our view, some marketers often undercommunicate for fear of overcommunicating!

With online media buys, it's also important to think about frequency as well as reach. Increases in frequency will usually increase awareness, as for any medium – though direct response will usually peak quite quickly before ebbing away.

If you have defined touch strategies that mandate a minimum or maximum number of communications within a period – and the interval between them – you should check that your plans fit in with these or that they do not constrain your campaign.

4. Sequencing of communications. Of the options available, should you:

- launch your campaigns online first;
- launch your campaigns offline first;
- launch your campaigns simultaneously online and offline?

Here are some examples where your online and offline activities might not launch simultaneously:

- a campaign for an event promotion starts with a direct mail or an email;
- digital communications are reserved as contingency – in case offline response volumes are not high enough;
- a promotion is launched online first (notified by email) to appeal to loyal customers;
- an unusual ad execution is launched online first to create a buzz;

- a press release is announced first online so that it can be transmitted by particular advocates;
 - a timed or limited offer is launched online, because timing of receipt can be more accurately assured.
5. **Optimising timing.** Do communications get delivered and received at the optimal time? For online display advertising, PPC and email marketing there are specific times of the day, days of the week or times of the month that your message will work best.

Case study 8: Facebook – a Titan of the digital age

This case is about the social network Facebook, which needs no introduction. When we first featured it in an earlier edition, it was a niche service mainly used in colleges and universities. Then in the first two years of operation Facebook reached 6 million users, by 2009 there were 360 million (Facebook, 2018) and now there are more than two billion monthly active users, or nearly 40 per cent of the world's population (over 14 years) (Noyes, 2018).

The purpose of this case study is to review the success factors, that propelled Facebook into such a successful position that it is able to influence global media, be a dominant player in online advertising and owns so much personal data that it is probably better placed to know who your best friend is than you are yourself. Learning about the success factors is one part of this case, but we also consider the risks associated with becoming one of the world's most successful digital brands.

The mission – the big picture

When Mark Zuckerberg launched a site called facebook.com in 2004, it was a student directory showcasing photos and basic information. Growth was rapid in the US and then internationally through universities and high schools. But it wasn't until 2006 that Facebook began to expand its reach to everyone aged 13 and over with an email address. As the membership base grew, the functionality of the site developed, enabling the sharing of photos and an opportunity to expand personal social networks.

By 2015, the social media giant was riding high and its mission had become less about functionality and more about socially enabling members: 'We want to give you the power to share and to make the world more open and connected'. In 2017, the mission became more focused on 'bringing the world together; and enabling the platform to encourage more connections, through newsfeeds and build "meaningful communities" to give individuals a voice to share a diverse range of viewpoints and opinions in order to address major societal issues e.g., poverty, climate change, terrorism' (Zuckerberg, 2017).

Value proposition

Consumer

When Facebook launched in February 2004, there were just three things users could do on the site: 1) create a profile with their picture and information; 2) view other people's profiles; and 3) add people as friends. These are still core to its functionality and translate into core consumer benefits (as stated by Facebook):

- **Connect and share with your friends.** Staying connected is the core feature as we would expect, but note the more emotional underpinnings of the other elements of the value proposition.
- **Discover and learn.** Facebook references public figures and organisations that interest them – available through Facebook company pages.
- **Express yourself.** A fundamental need. Facebook does this through its key features, which it describes as the Timeline, News Feed, Photos and Videos and messaging through Email, Chat and Text.
- **Stay connected everywhere.** Referencing the importance of mobile use and use on other sites to Facebook's users and business model, people can access Facebook through the website, mobile sites, smartphone apps, and feature phone products.

Marketers and businesses

Facebook worked hard to monetise its audience, particularly since its initial public offering (IPO) on 18 May 2012. This was the biggest IPO for an Internet company, with a peak market capitalisation of over \$104 billion. Facebook describes its offer to business as follows:

Marketers can engage with more than one billion monthly active users on Facebook or subsets of our users based on information people have chosen to share with us such as their age, location, gender, or interests. This offers marketers a unique combination of reach, relevance, social context, and engagement to enhance the value of their ads.

Commercial companies or not-for-profit organisations (e.g. www.facebook.com/joinred) create their own Facebook pages for their company (currently free). Facebook users can then express their support by adding themselves as a fan, writing on the company Wall, uploading photos and joining other fans in discussion groups. When users become fans, they can optionally agree to be kept up-to-date about developments, which then appear in their news feeds.

To encourage companies to advertise, Facebook uses an algorithm known as EdgeRank Checker, which determines the percentage of company status updates that appear in a user's newsfeed and a suite of performance measures to test and optimise businesses' creative content.

Revenue model

Facebook has a targeted ad-based revenue model, which is slightly different to its rival Google, which uses a model based around keyword searches. Facebook's approach utilises personal data (anonymised) to provide advertisers with lists of potential customers to target. Some of the features of Facebook Ads (www.facebook.com/ads) include:

- targeting by age, gender, location, interests, politics, religion and more;
- alternative payment models: cost-per-click (CPC) or impression-based (CPM).
- 'Trusted Referrals' or 'Social Ads' – ads can also be shown to users whose friends have recently engaged with a company's Facebook page or engaged with the company website.

At the time of the launch of Ads, the Facebook blog made these comments, which indicate the delicate balance between advertising revenue and user experience. They said, first of all, ‘what’s not changing’:

- Facebook will always stay clutter-free and clean.
- Facebook will never sell any of your information.
- You will always have control over your information and your Facebook experience.
- You will not see any more ads than you did before this.

And what is changing:

- You now have a way to connect with products, businesses, bands, celebrities and more on Facebook.
- Ads should be getting more relevant and more meaningful to you. Facebook Ads offers opportunities for business to engage potential buyers at every stage in their journey to purchase.
- The company continues to grow its digital advertising revenue and its strategy for global expansion and acquisitions also contribute to this revenue stream.

Facebook’s strategy

Facebook describes the key elements of its strategy in its SEC filing as:

1. **Expand global community.** Facebook names specific ‘relatively less-penetrated, large markets’ such as Brazil, India, Mexico and Japan. So, in order to expand its reach Facebook looked for potential acquisitions and in 2012 purchased Instagram, which has developed as a separate brand, providing greater reach for both platforms through the sharing of images. Similarly, What’s App™ the mobile messaging service, was purchased in 2014, giving Facebook access to millions of active users in a diverse range of global locations (Olson, 2014).
2. **Develop social products to provide the most compelling user experience.** As with many SEC filings of successful Internet businesses, there is a clear commitment to user experience. Facebook’s approach is based on Facebook Insights:

To provide the most compelling user experience, we continue to develop products and technologies focussed on optimising our social distribution channels to deliver the most useful content to each user by analysing and organising vast amounts of information in real time.

Smart Insights (2012) quotes Andrew (Boz) Bosworth, then director of engineering at Facebook, as saying:

Every day, we run hundreds of tests on Facebook, most of which are rolled out to a random sample of people to test their impact. For example, you may have seen a small test for saving news feed stories last week.

Other products might require network effects to be properly tested, so in those cases we launch to everyone in a specific market, like a whole country.

3. **Mobile products.** Facebook is seeking to make these more engaging and more easily available. In April 2014 Facebook passed 1 billion million average monthly users of mobile services. The acquisition of photo-sharing app Instagram in August 2012 was part of this strategy.

4. **Facebook Platform.** Facebook notes the importance of developing an open system through apps and websites built by developers using the Facebook Platform, including API (Application Programming Interfaces) and Social Plugins to help integration with other services such as websites. The Facebook Platform was introduced in 2007 and by January 2008 over 18,000 applications had been built on Facebook Platform with 140 new applications added per day. More than 95 per cent of Facebook members have used at least one application built on Facebook Platform.
5. **Improve ad products.** With the IPO this is a vital aim for Facebook, but it has to be balanced against the other elements of the strategy, particularly 2: Develop social products Facebook states: ‘Our advertising strategy centres on the belief that ad products that are social, relevant, and well-integrated with other content on Facebook can enhance the user experience while providing an attractive return.’
6. **Build a scalable infrastructure.** Facebook describes its investment in software and hardware infrastructure, which enables its aim to provide a ‘unique, personalised experience to each of our users around the world’. To do this Facebook explains its technology investments as focusing on analytics and development in areas including content optimisation and delivery, graph query, media storage and serving, large-scale data management and software performance.
7. **Using AI to control content.** Fakenews and the legitimacy of content on Facebook’s Platform has become a major political concern. To address this and maintain validity of postings in line with the latest mission of building meaningful communities, the use of AI is being explored to find ways to differentiate from “*news stories about terrorism and actual terrorist propaganda*”. Facebook wants to have the capacity to quickly remove content that is detrimental to its societal values (Solon, 2017).

Risk factors

Although it seems curious to think of a company as large as Facebook having competitors, it has new global rivals and local rivals. Globally, the competitive market challenges for Facebook are in part its business markets; it needs to develop business in emerging markets. But many advertisers are not based in the US, and in China, and India South America, where emerging markets are developing, Facebook does not dominate (MacBride, 2017).

Locally, Instagram is an internal competitor, owned by Facebook but this social media platform is growing fast and attracting advertiser revenue. LinkedIn is capturing business-to-business traffic and while much smaller than Facebook, has a strong business client base. Twitter and Google are also competitors. There is an intensity to the rivalry of these firms, based on the ability of the firm to attract the largest audience.

Facebook states that: ‘Trust is a cornerstone of our business’ and it now dedicates significant resources to the goal of building user trust through developing and implementing programs designed to protect user privacy, promote a safe environment and assure the security of user data. Facebook has to some extent learnt this lesson from early mistakes, insofar as the importance of representing the business’s core values. Mark Zuckerberg is seeking to refocus efforts on community connections. Changes to Facebook’s newsfeeds algorithm in 2018, has shifted the focus away from business promotion towards social and personal communication. The risks are the effect on business referrals.

Facebook lists some of its other key risk factors as:

- users increasingly engage with other social media platforms, products and activities;

- users feel that their Facebook experience is diminished with respect to the frequency, prominence, and size of ads, which detract from user core benefits;
- users adopt new technologies where Facebook may not be featured or otherwise available.

In 2018, Facebook's strategy and its exposure to risk has been tested and as a result its trusted position seriously questioned. Mark Zuckerberg has had to face the US congress and answer questions regarding selling advertising to unscrupulous propagandists and facilitating the growth of fake news. This global exposure of the company's activities has seriously impacted on the business and highlighted the 'fragility of Facebook's standing in both the markets and public perception' (Lapowsky, 2018). This situation arose due to how personal data was being handled and the company was accused of allowing this private data to be used inappropriately for potential political gain. This situation affected the valuation of Facebook and consumer trust, but potentially more significant is this could lead to tighter regulations on the use of personal data.

The future for Facebook

Mark Zuckerberg is taking responsibility for the future direction of Facebook and looking to new technology, such as augmented reality, to deliver new applications. Messenger is Facebook's second-biggest product and it appears to be taking inspiration from the Chinese WeChat by introducing chatbots and other features to introduce more 'fun' and stimulate more traffic.

Many companies are moving away from the original Facebook Platform, for example Vice, Mashable and BuzzFeed, as they are receiving a growing number of referrals from Pinterest and Instagram (Chaykowski, 2018). Business referrals have been slowing for the last two years, creating opportunities for competitors such as Google, and there have been the trust issues over potentially inappropriate use of personal data.

Key sources for the latest information on Facebook:

- All Facebook (www.allfacebook.com) and Inside Facebook (www.insidefacebook.com) are sites specialising in reporting on developments at Facebook.
- Key Facts – updated quarterly at close of year (<http://newsroom.fb.com/Key-Facts>).
- SEC updates – Security and Exchange Commission annual report filings give great insights into how Facebook positions itself and what it sees as its risk factors (<http://investor.fb.com/>).
- Smart Insights Facebook updates and advice (www.smartinsights.com/social-media-marketing/facebook-marketing/) cover the major developments that marketers need to be aware of.
- Socialbakers (www.socialbakers.com/facebook-statistics/) Facebook statistics by country and brand popularity.
- Wikipedia pages for Facebook (<http://en.wikipedia.org/wiki/Facebook>).
- Wired Beyond Facebook (<https://www.wired.com/story/beyond-facebook-its-high-time-for-stronger-privacy-laws/>), an article in *Wired* magazine.

Sources: Abram (2006); Phillips (2007); Facebook (2018); Noyes, (2018); Heath (2017).

Questions

1. As an investor in a social network such as Facebook, which financial and customer-related metrics would you use to assess and benchmark the current business success and future growth potential of the company?
2. Complete a situation analysis for Facebook focusing on an assessment of the main business risks that could damage the future growth potential of the social network.
3. Imagine you are Facebook's marketing director. Suggest a marketing strategy for the next 18 months based on your answers to question 2.

Summary

1. Key characteristics of interactive communications are the combination of push and pull media, user-submitted content, personalisation, flexibility and, of course, interactivity to create a dialogue with consumers.
2. We reviewed these elements of a digital marketing communications plan:
 - **Step 1. Goal setting and tracking.** These can include goals for campaign volume (unique visitors and visits), quality (conversion to value events), cost (including cost-per-acquisition) and profitability.
 - **Step 2. Campaign insight.** Information to feed into the campaign plan includes potential site audience reach and compositions, online buying behaviour and preferences, customer search behaviour and competitor campaign activity.
 - **Step 3. Segmentation and targeting.** Key segmentation approaches are relationship with company, demographic segmentation, psychographic or attitudinal segmentation, value, lifecycle stage and behaviour.
 - **Step 4. Offer and message development.** Includes identification of primary and secondary offers.
 - **Step 5. Budgeting and selecting the digital media mix.** Should be based on conversion models, reviewing all the digital media channels.
 - **Step 6. Integration into overall media schedule or plan.** The principles of integration include coherence, consistency, continuity and complementarities.

Exercises

Self-assessment exercises

1. Review the reasons why continuous marketing activity involving certain digital media channels is preferable to more traditional burst or campaign-based activity.
2. Describe the unique characteristics of digital media in contrast to traditional media.
3. Review the options for targeting particular audience groups online with different digital media.
4. How should a company decide on the relative investment between digital media and traditional media in a marketing campaign?
5. What are the options for integrating different types of digital media channels with traditional media?
6. What are the issues that a marketer should consider when defining their offer and message for an online campaign?

Essay and discussion questions

1. Imagine you are starting a new business: an independent coffee shop. Discuss how a website and social media can be used to enhance customer experience.
2. Select a company of your choice and assess the effectiveness of the integration between their traditional communications, digital media channels and their website.
3. Select a recent campaign from a not-for-profit organisation and, with reference to their website campaign pages, identify how they should set campaign goals and review effectiveness.
4. How should companies decide on the granularity of targeting in digital media campaigns? Select two digital media channels to illustrate your examples.

Examination questions

1. Outline the range of goals that should be used to define success criteria for an online marketing campaign.
2. Discuss the options a business-to-business company could use for targeting an audience through social media.
3. Assess why integration between online and traditional media might make a campaign more effective overall.
4. Describe different options for testing the effectiveness of competing offers online.

5. Evaluate the potential value of incorporating a mobile 'text-to-win' promotion into an offline campaign.

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Weblinks

Additional links on specific digital media channels such as email marketing and search engine marketing are at the end of [Chapter 9](#).

- **ClickZ** (www.clickz.com/). Has columns on different aspects of interactive communications including media planning.
- **iMediaConnection** (www.imediaconnection.com). Media site reporting on best practice in online advertising.
- **US Internet Advertising Bureau** (www.iab.com/). The widest range of studies about Internet advertising effectiveness.
- **Marketing Sherpa** (www.marketingsherpa.com). Articles and links on Internet marketing communications including email and online advertising.
- **SmartInsights.com** (www.smartinsights.com). Advice on creating effective marketing campaigns, including customer insight and attribution

modelling.

- **World Advertising Research Centre** (www.warc.com). Covers offline and online media. Mainly subscription service, but with some free resources.

Chapter 9

Marketing communications using digital media channels

Chapter at a glance

Main topics

- Search engine marketing
- Online public relations and influencer relationship management
- Online partnerships including affiliate marketing
- Interactive display advertising
- Opt-in email marketing and mobile messaging
- Social media and viral marketing
- Offline promotion techniques

Learning objectives

After reading this chapter, you should be able to:

- Distinguish between the different types of digital media channels
- Evaluate the advantages and disadvantages of each digital media channel for marketing communications
- Assess the suitability of different types of digital media for different purposes.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- Which digital communications media should we select for different types of market?
- What are the success factors for using digital media that will make our campaigns more effective?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 1](#) introduces the main options for communications across paid, owned and earned digital media types.
- [Chapter 8](#) reviews how to plan campaigns that use digital media channels. The section towards the end of the chapter on ‘Selecting the right mix of digital media communications tools’ in ‘Step 5. Budgeting and selecting the digital media mix’, is particularly relevant.
- [Chapter 10](#) also considers the measurement of communications effectiveness.

Introduction

Digital marketing managers use many different **digital media channels**, such as affiliate, email, social and search engine marketing, to attract visitors to their websites. They also have options such as display advertising and widget marketing for communicating brand values to visitors of third-party websites. Traditional communications disciplines such as advertising, direct mail and PR remain important in generating awareness and favourability about brands and in encouraging visits to a business’s online presence.

Digital media channel

Online communications technique such as search engine marketing, affiliate marketing and display advertising used to engage web users on third-party sites, encourage them to visit an organisation’s site or purchase through traditional channels such as by phone or in store.

Choosing the most cost-effective digital communications techniques and refining them to attract visitors and new customers is now a major marketing activity, for both online and multichannel businesses. In this chapter we explain the differences between the different digital media options and review the strengths, weaknesses and success factors for using the communications techniques.

How is this chapter structured?

This chapter is structured around the six main digital media channels we have identified in [Table 9.1](#) ([Figure 1.9](#) portrays a graphical summary). To enable

easy comparison of the different techniques and to assist with assignments and revision, we have structured each section the same way:

- **What is it? A description of the digital media channel.**
- **Advantages and disadvantages?** A structured review of the benefits and drawbacks of each channel.
- **Best practice in planning and management.** A summary of the issues such as targeting, measurement and creative that need to be considered when running a campaign using each digital channel. This expands on the coverage given in the previous chapter on these issues.

Table 9.1 Summary of different digital media channels

Digital media channel	Description	Different communications techniques
Search engine marketing (SEM)	Gaining listings in the search engine results pages of the major search engines, Google, Bing, YouTube and popular country-specific engines. Also includes advertising on third-party publisher sites, which are part of the search display networks, to generate awareness and for remarketing	Search engine optimisation (SEO) listing in the organic listings, which does not attract a fee-per-click; based on on-page optimisation and link-building Pay-per-click advertising sponsored listings using Google Ads, for example
Online public relations	Using influencer outreach to maximise favourable mentions of your company, brands, products or websites on third-party sites such as media sites, social networks or blogs that are likely to be visited by your target audience; also includes monitoring and, where necessary,	Influencer outreach to co-create content and press releases to gain positive mentions,

	responding to negative mentions and conducting public relations via a site through a press centre or blog, for example	managing reputation on third-party sites, particularly forums and social networks Use of owned media – own-company feeds, blogs Blogger and influencer outreach for earned media
Online partnerships including affiliate marketing and co-marketing	Creating and managing long-term arrangements to promote your online services on third-party websites or through email communications; different forms of partnership include co-marketing, link building, affiliate or performance marketing, aggregators such as price comparison sites, online sponsorship and co-branding	Commission-based affiliate marketing for transactional e-commerce sites Creating long-term partnership relationships such as sponsorship, link-building or joint editorial
Interactive display advertising	Use of online display ads such as banners and video ads on publisher and social network sites to achieve brand awareness and encourage click-through to a destination site	Programmatic advertising Site-specific media buys Use of ad networks Behavioural retargeting or remarketing based on action
Opt-in email	Using legal, permission-based emailing to prospects or customers who have agreed	Acquisition email activity including

marketing	to receive emails from an organisation; Solus emails can be booked, where a publisher sends an email on behalf of a brand or the brand can be featured in an e-newsletter; companies can build up their own 'house list' containing customer or prospect details, and company emails encourage purchase	list rental (rarely permitted by law today), co-branded publisher campaigns, advertising on e-newsletters Retention and growth activity, e.g. house list for e-newsletters and customer email campaigns Marketing automation of event-triggered email lifecycle activity
Social media marketing including viral and electronic word-of-mouth marketing	Organic social media marketing (covered at the start of Chapter 6) is online word of mouth – compelling brand-related content is shared, forwarded or discussed electronically or discussed offline to help achieve awareness and, in some cases, drive response; paid social advertising involves paid ads for awareness or retargeting to support conversion goals	Branded presence of company page or advertising on social network Creating 'viral agents' or compelling interactive content Encouraging amplification of viral messages Use of social ads as explained in this chapter Using customer advocacy effect Widget marketing

As you read each section, you should compare the relative strengths and weaknesses of the different techniques and how consumers perceive different options in terms of trust. In the final section, we summarise their strengths and weaknesses for different applications.

The importance of each of these digital media channels in driving visitors will vary from company to company, but to give you an indication of how important they are on average see [Digital marketing insight 9.1](#). You can see why search engine marketing is an important channel, and this is why we start our coverage in this chapter with SEM. You can also see that direct traffic is high, reflecting the importance of visits driven by traditional channels or visits from email or social networks that are not being tracked separately. You can also see that links from other sites are also quite significant.

Digital marketing insight 9.1: How balanced is your referrer mix?

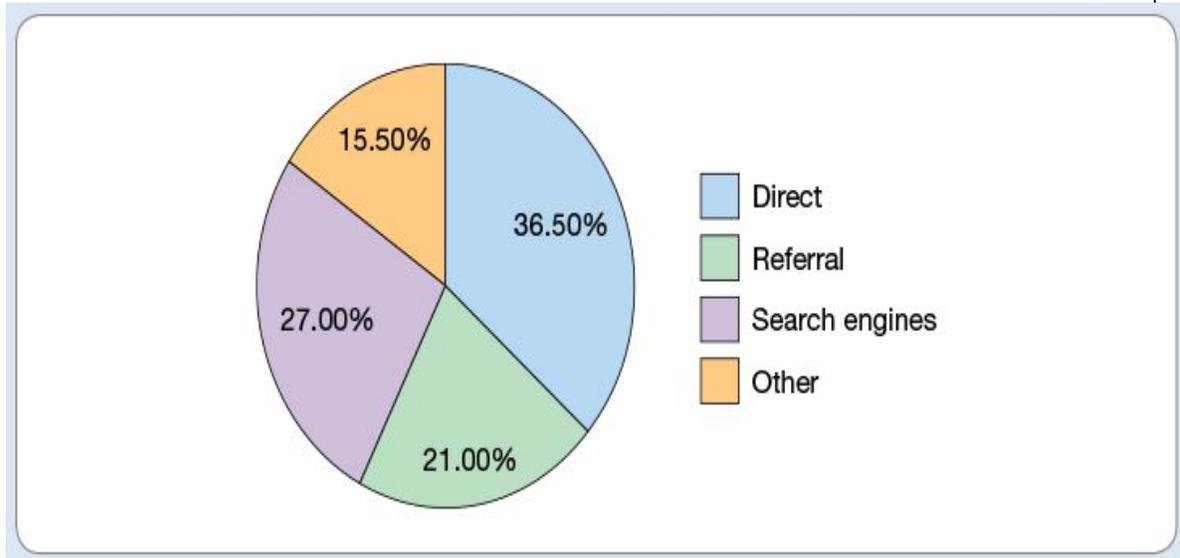
One approach to determining the most appropriate mix of digital media channels is to compare the mix of digital site referrers in a digital analytics service. [Figure 9.1](#) shows the average mix of referrers or ‘traffic sources’ for sites tracked by Google Analytics.

This is a summary of the different terms in the pie chart:

- **Search engine.** This groups both natural and paid search Ads.
- **Referral.** This is traffic from other sites that have direct links to a site. This can include social media sites, but Google and other analytics services now separate out ‘social traffic’.
- **Direct.** Direct traffic results from URL type-ins, bookmarks or when email marketing isn’t tracked by marketers adding specific link tracking to their email so that they show up in analytics. These days, direct traffic will also include non-browser traffic from visitors clicking on apps for reading social media updates such as Hootsuite or Buffer, or other mobile apps linking to a site. This traffic is sometimes called ‘Dark Social’ since it is difficult to attribute to social media updates.
- **Other.** Campaigns include Google Ads when linked to the Google Account and any other campaigns such as affiliates, display ads and email campaigns when these have had marketing campaign tags attached. In this compilation, Google Ads is included under search engines.

Note: This industry benchmark data is no longer updated and published by Google. Marketers can use the Benchmarks feature in Google Analytics to compare their mix of referrers to their website, or reference the SimilarWeb™ compilation (www.similarweb.com), which is also useful for students reviewing the traffic sources for case study companies they are using in assignments. Similar data was published by Adobe™ (2017) for 500 large US retail clients that shows the importance of search and email marketing and that, perhaps surprisingly, social and display advertising drive relatively small volumes:

Figure 9.1 Average percentage of traffic from different sources referred to a website



Source: Smart Insights (2011)

- **natural search 41%;**
- **paid search 27%;**
- **email marketing 25%;**
- **social media 3%;**
- **Display 3%.**

Note that direct traffic and affiliates are excluded from this analysis.

Essential digital skills: Digital media

Many of the practical skills sought after by businesses in digital marketing involve the techniques covered in this chapter. These include:

- **SEO: Perform a gap analysis, content audit and backlink analysis to define the opportunities or organic search traffic and then achieve them through content creation and influencer outreach.**
- **Paid search: Become a Google Ads professional.**

Practical ideas to boost employability by showcasing your interests and experiences include:

- **Create a blog and set up Google Analytics tracking so you understand site referrers. You can use the Google Analytics Demo account to understand a full referrer mix.**
- **Complete free online Google Ads or Analytics training.**
- **Understand the purpose of the most popular search marketing tools, including Google Search Console, SEM Rush, Moz and AHREFs.**

- Follow different marketing influencers on Facebook, Twitter or LinkedIn and understand the content they share and how they interact with companies and other influencers.
- Create a marketing-focused blog or Twitter or LinkedIn profile and share content from your course and the influencers you follow. Focus on the areas of marketing that interest you most.

To audit your digital marketing skills across the RACE planning framework use the Smart Insights Skills Assessment tool available at <http://bit.ly/smartdigiskills>.

Search engine marketing

Search engine marketing (SEM) is a key technique for generating quality visitors to a website, as suggested by [Figure 9.1](#). We all now naturally turn to a search engine when we are seeking a new product, service or entertainment. The main options include Google, Bing, the Google-owned YouTube, which is the second-largest search engine by volumes of searches in many countries, or other regional search engines. We also turn to search engines when we are familiar with a brand, shortcutting site navigation by searching for a brand, appending a brand name to a product or typing a URL into Google. This is known as **navigational (or brand) search**. Given the obvious importance of reaching an audience during their consideration process for a product or when they are locating a brand, search engine marketing (SEM) has become a fiercely competitive area of digital marketing.

Search engine marketing (SEM)

Promoting an organisation through search engines to meet its objectives by delivering relevant content in the search listings for searchers and encouraging them to click through to a destination site. The two key techniques of SEM are search engine optimisation (SEO) to improve results from the natural listings, and paid-search marketing to deliver results from the sponsored listings within the search engines. Note, in the US and some European countries the acronym SEM is sometimes used just to describe paid-search advertising. Confusing!

Navigational (or brand) search

Searchers use a search engine such as Google to find information deeper within a company site by appending a qualifier such as a product name to the brand or site name. Organisations need to check that relevant pages are available in the search results pages for these situations.

There are two main types of SEM that are quite distinct in the marketing activities needed to manage them, so we will study them separately, although in practice they should be integrated:

1. **Search engine optimisation (SEO)** involves achieving the highest position or ranking practical in the **natural or organic listings**, shown in **Figure 9.2** as the main body of the **search engine results pages (SERPS)** across a range of specific combinations of keywords (or keyphrases) entered by search engine users. You can see there are a limited number of organic search results compared to the four ads at the top of the SERPs. As well as listing pages that the search engine determines as relevant for the search performed based on the text it contains and other factors, such as links to the page, the SERPs also contain other tools that searchers may find useful. When these were first introduced, Google labelled these **universal search** or blended search. Today, we simply talk about specific SERPS features with different labels. Complete **Activity 9.1** to review these in more detail.
2. **Paid search (pay-per-click) marketing (PPC)** is similar to conventional advertising; here a relevant text ad with a link to a company page is displayed when the user of a search engine types in a specific phrase. A series of text ads usually labelled as ‘sponsored links’ are displayed above or to the right of the natural listings, as in **Figure 9.2**. Although many searchers prefer to click on the natural listings, a sufficient number do click on the paid listings (typically around a quarter or a third to a half of all clicks) such that they are highly profitable for companies such as Google, and a well-designed paid-search campaign can drive a significant amount of business for companies. There are also opportunities to create awareness and response from pay-per-click ads displayed on third-party sites, as we will see in the section on paid search marketing.

Search engine optimisation (SEO)

A structured approach used to increase the position of a company or its products in search engine natural or organic results listings for selected keywords or phrases.

Natural or organic listings

The pages listing results from a search engine query, which are displayed in a sequence according to relevance of match between the keyword phrase typed into a search engine and a web page according to a ranking algorithm used by the search engine.

Search engine results pages (SERPS)

The page(s) containing the results after a user types a keyphrase into a search engine. SERPS contain both natural or organic listings and paid or sponsored listings.

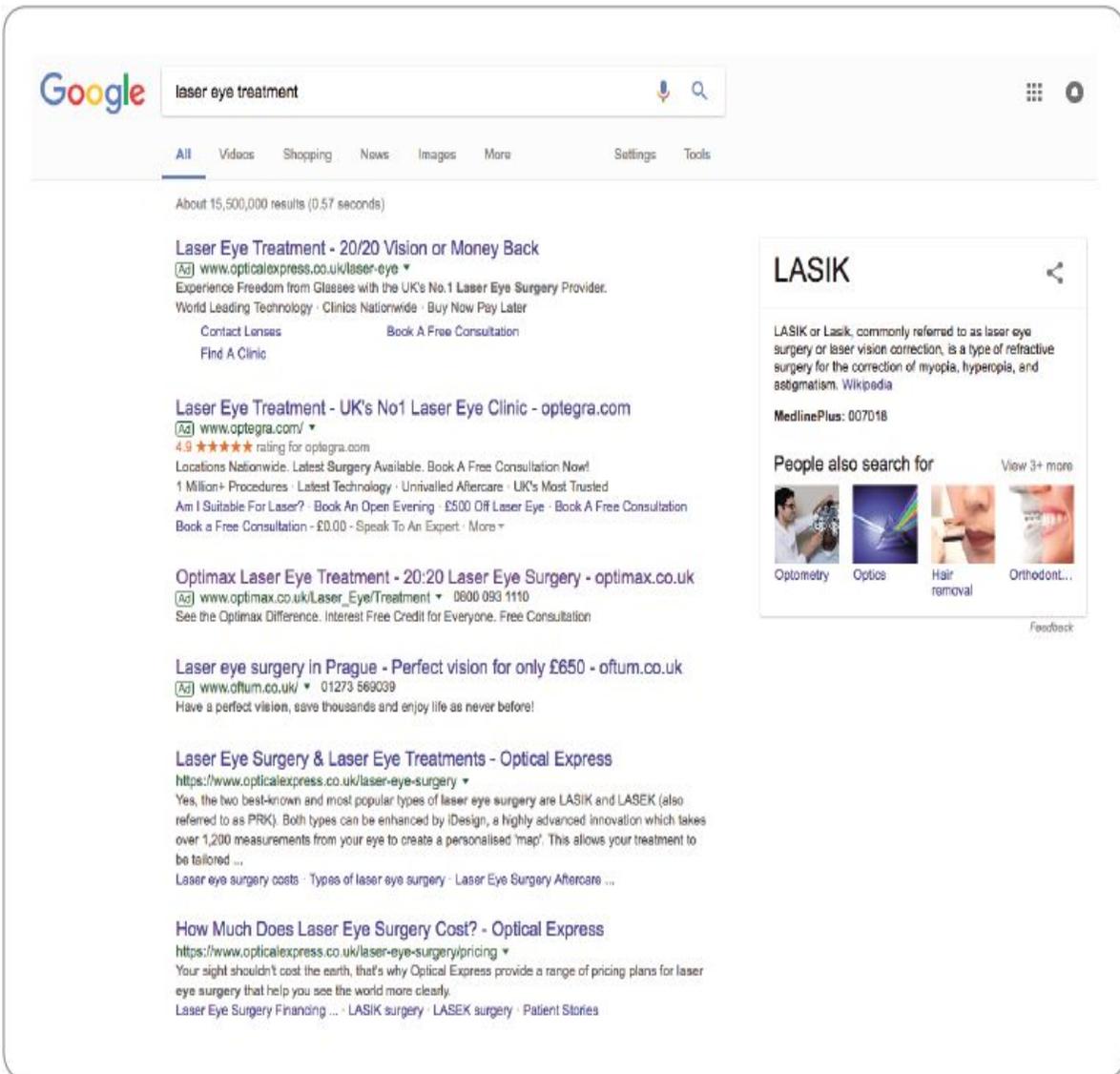
Universal search

The natural listings incorporate other relevant results from vertical searches related to a query, such as video, books, news, real-time social media recommendations, site links and images.

Paid search (pay-per-click) marketing (PPC)

A relevant text ad with a link to a company page is displayed on the SERPs when the user of a search engine types in a specific phrase. A fee is charged for every click of each link, with the amount bid for the click mainly determining its position. Additionally, PPC may involve advertising through a display network of third-party sites (which may be on a CPC, CPM or CPA basis).

Figure 9.2 Search engine results page in Google (www.google.co.uk) illustrating the natural and paid listings



Source: Reprinted by permission of Google, Inc. Google™ search engine is a trademark of Google, Inc.

Activity 9.1: The changing faces of the SERPs features

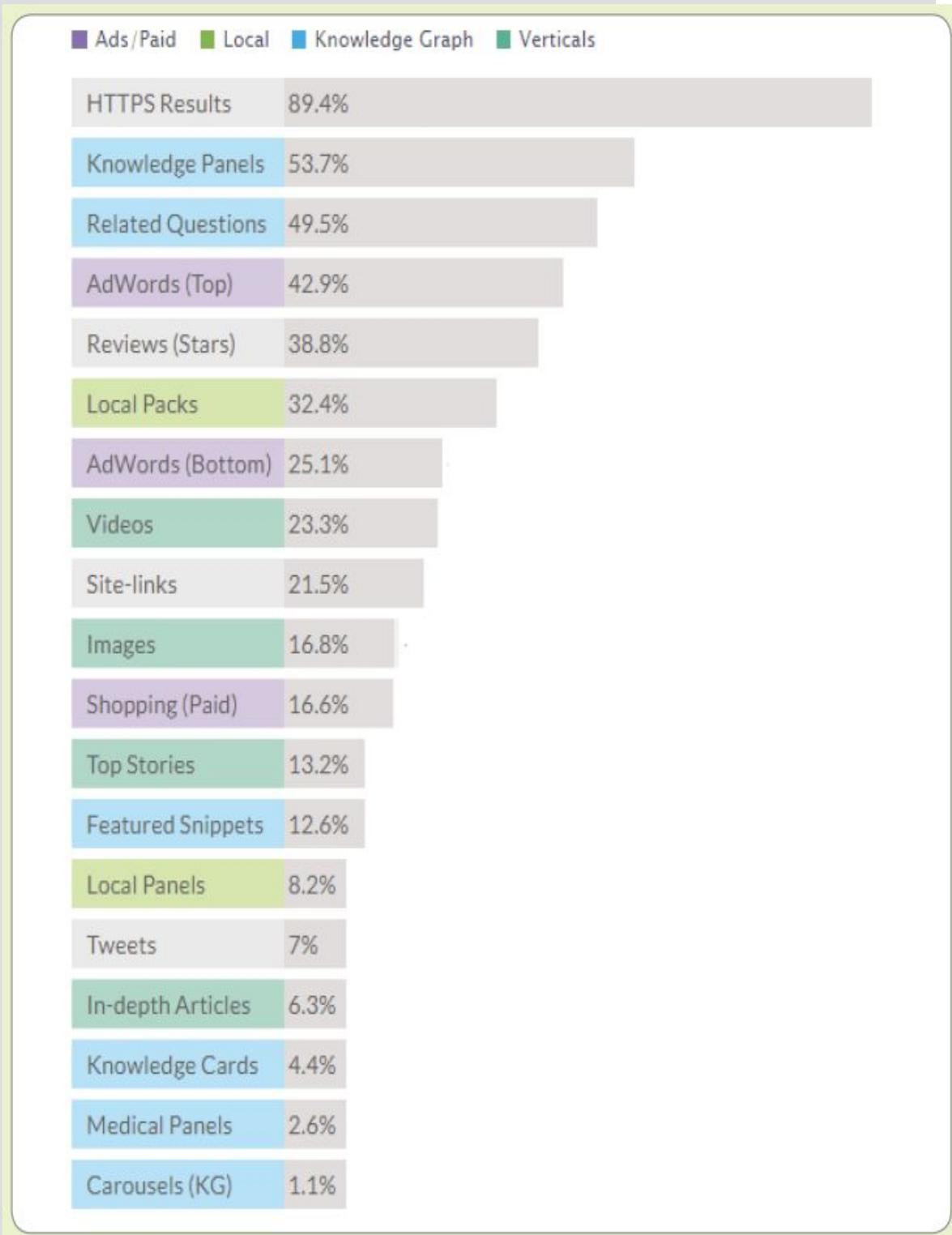
Search engine marketing tools service Moz has regularly updated research called MozCast, which shows the popularity of different types of features within the search results pages for the most popular queries.

Activity

Visit MozCast and review the latest SERPs features (Figure 9.3) so that you understand the difference between them. Complete different navigational, generic and specific searches for

products in a sector of your choice and see how many of these you can identify. Are some companies better at achieving visibility than others?

Figure 9.3 Popularity of different Google Search features for a selection of 10,000 keywords



Source: MozCast (<http://mozcast.com/features>)

The importance of effective search engine marketing is suggested by [Figure 9.4](#), which shows that generating the highest rankings for a company in the search engine results pages (SERPs) can generate many more visits because of a higher click-through rate. Note that click-through rate according to position will vary dramatically by type of keyword such as brand or generic keyword, but this research is based on 10,000 keywords across 250 B2C and B2B companies.

What is SEO?

Improving positions in the natural listings is dependent on marketers understanding the process whereby search engines compile an index by sending out spiders or robots to crawl around sites that are registered with that search engine ([Figure 9.5](#)). The figure shows that the technology harnessed to create the natural listings involves these main processes:

1. **Crawling.** The purpose of the crawl is to identify relevant pages for indexing and assess whether they have changed. Crawling is performed by **robots** (bots) that are also known as **spiders**. These access web pages and retrieve a reference URL of the page for later analysis and indexing. Although the terms ‘bot’ and ‘spider’ give the impression of something physical visiting a site, the bots are simply software processes running on a search engine’s server that request pages, follow the links contained on that page and create a series of page references with associated URLs. This is a recursive process, so each link followed will find additional links that then need to be crawled.
2. **Indexing.** An index is created to enable the search engine to rapidly find the most relevant pages containing the query typed by the searcher. Rather than searching each page for a query phrase, a search engine ‘inverts’ the index to produce a lookup table of documents containing particular words. Marketers can use Google’s Search Console (formerly Webmaster Tools) to understand which pages are indexed and get recommendations about potential duplicate content. The index information consists of phrases stored within a document and also other information characterising a page such as the document’s title, meta description, PageRank, trust or authority, spam rating, etc. For the keywords in the document, additional attributes will be stored such as semantic markup (<h1>, <h2> headings denoted within HTML),

occurrence in **link anchor text**, proximity, frequency or density and position in document, etc. The words contained in link anchor text 'pointing' to a page are particularly important in determining search rankings.

3. **Ranking or scoring.** The indexing process has produced a lookup of all the pages that contain particular words in a query, but they are not sorted in terms of relevance. Ranking of the document to assess the most relevant set of documents to return in the SERPs occurs in real time for the search query entered. First, relevant documents will be retrieved from a runtime version of the index at a particular data centre, then a rank in the SERPs for each document will be computed based on parsing many ranking factors, of which we highlight the main ones in later sections.
4. **Query request and results serving.** The familiar search engine interface accepts the searcher's query. The user's location is assessed through their IP address and the query is then passed to a relevant data centre for processing. Ranking then occurs in real time for a particular query to return a sorted list of relevant documents and these are displayed on the search results page.

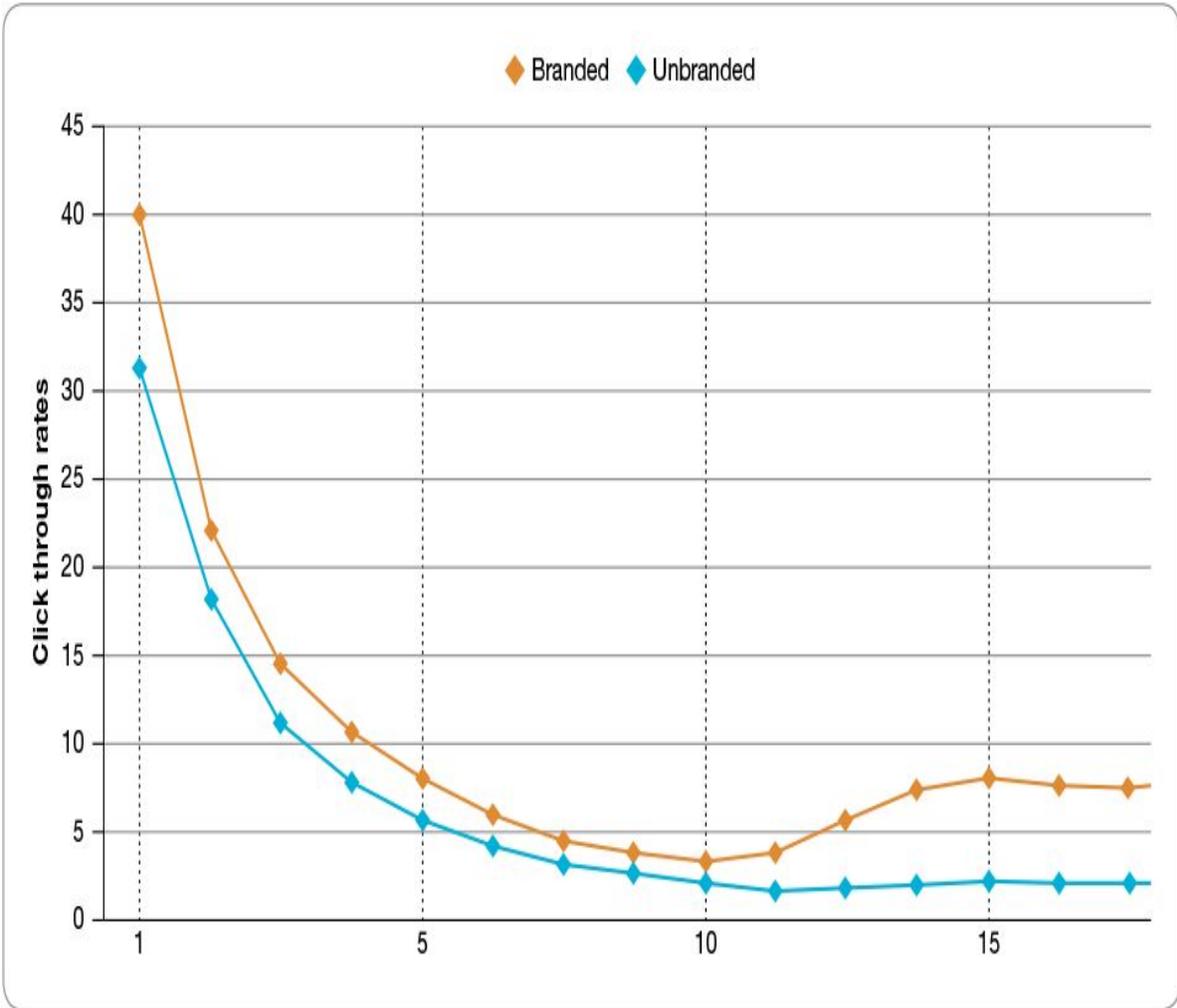
Robots or spiders

Spiders are software processes, technically known as robots, employed by search engines to index web pages of registered sites on a regular basis. They follow or crawl links between pages and record the reference URL of a page for future analysis.

Link anchor text

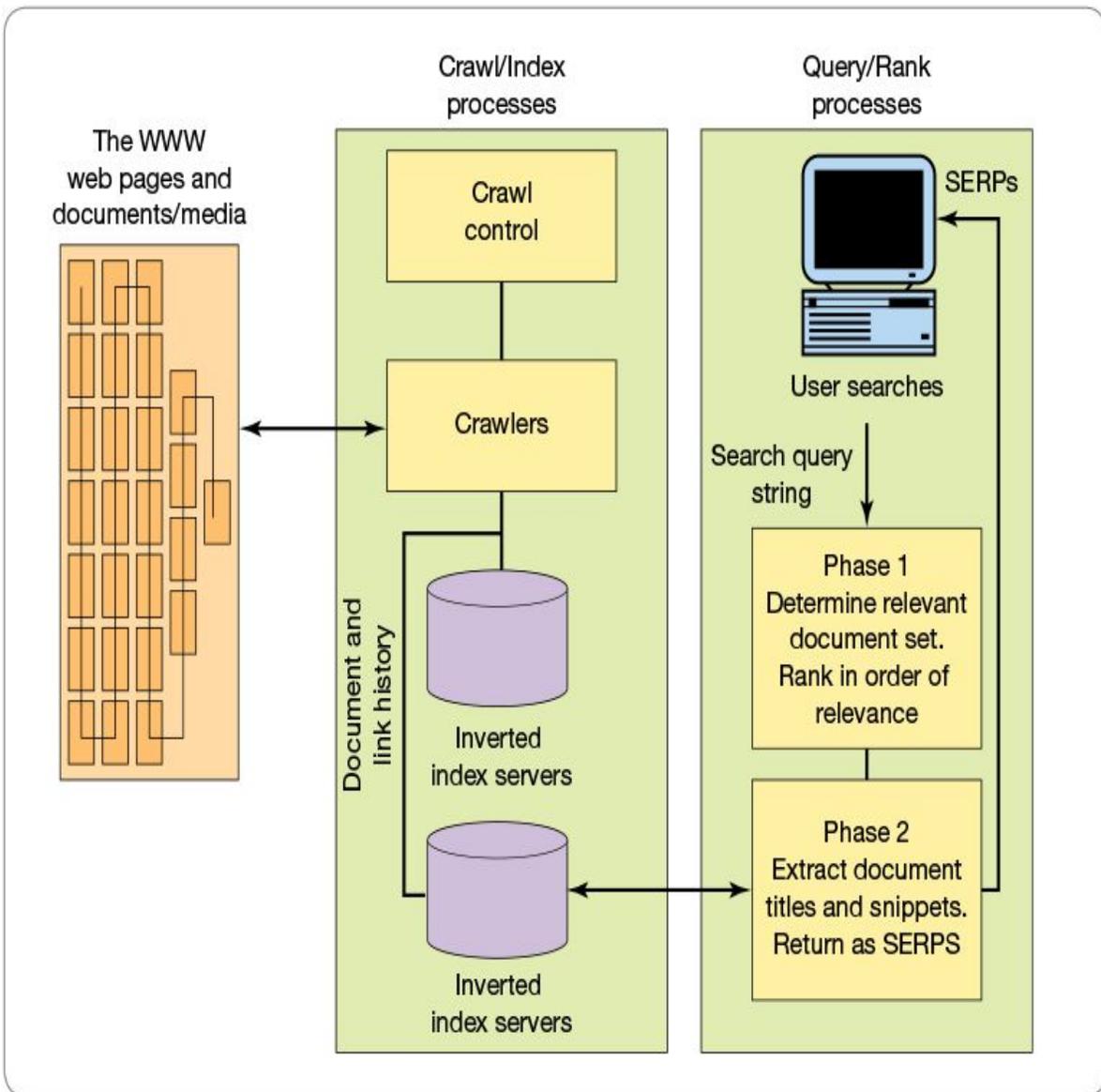
The text used to form the blue underlined hyperlink viewed in a web browser defined in the HTML source. For example, a link: Visit Dave Chaffey's Digital Marketing site is created by the HTML code: VisitDave Chaffey's Digital Marketing site.

Figure 9.4 Click-through rates depending on position in the natural search results



Source: Advanced Web Ranking (2018)

Figure 9.5 Stages involved in producing a search engine listing for the natural listings



Search engine ranking factors

Google has stated that it uses more than 200 factors or signals within its search ranking algorithms. These include positive ranking factors that help boost position, and negative factors or filters that are used to remove search engine spam (also known as webspam) from the index where SEO companies have used unethical approaches such as automatically creating links to mislead the Google algorithms. The importance of ranking factors are much disputed by SEOs, since with so many factors it is difficult to isolate their impact to prove a correlation or, more importantly, a causative relationship between. The interested should read the balanced article by Fiorelli (2014) discussing the *The Myth of Google's 200 Ranking Factors*. In this coverage we will summarise the

current thinking based on Dave Chaffey's more-than-15-years of experience as an SEO consultant and publisher.

At a top level, the two most important factors for good ranking positions in all the main search engines are:

- **Matching between web page copy and the key phrases searched.** The main factors to optimise on are 'keyword density', keyword formatting, keywords in anchor text and the document meta-data including page title tags. The SEO process to improve results in this area is known as **on-page optimisation**. We will cover some of details of best practice for this process in a topic later in this section.
- **Links into the page (inbound or backlinks).** Google counts each link to a page from another page or another site as a vote for this page. So pages and sites with more external links from other sites will be ranked more highly. The quality of the link is also important, so if links are from a site with a good reputation and relevant context for the keyphrase, then this is more valuable. Internal links are also assessed in a similar way. The processes to improve this aspect of SEO are **external link building** and **internal link architecture**. To reduce the impact of webspam, search engines introduced **nofollow tags**, which means that links added to comments in blogs and social media blogs have a limited impact, although it seems that many search spammers aren't aware of this.

On-page optimisation

Writing copy and applying markup such as the <title> tag and heading tag <h1> to highlight to search engines relevant keyphrases within a document.

Backlink

Hyperlink that links to a particular web page (or website). Also known as an inbound link. Google PageRank and Yahoo! WebRank are methods of enumerating this.

External link building

A proactive approach to gain quality links from third-party sites. It can be considered to be an element of online PR since it involves getting your brand visible on third-party sites and creating backlinks related to your site.

Internal link architecture

Structuring and labelling links within a site's navigation to improve the results of SEO.

Nofollow and Dofollow tags

A nofollow tag is a basic piece of HTML. Appended to a hyperlink, it allows webmasters to control whether search engines follow a link or not. For example, the following URL on a page of another site allows search engines to visit Smart Insights' website and credit the website with the link; each link is scored by the search engines, supporting SEO: `Visit Smart Insights` This normal, natural type of link is sometimes known as 'do-followed'! Here's the same hyperlink, now including a nofollow tag (highlighted in red): `Visit Smart Insights`.

When we first wrote about SEO in the first edition of this text, the concept of content marketing didn't exist. Today, among practising marketers, it is now recognised that the best, scalable way to gain quality backlinks is through content marketing described in the 'Content marketing' section in [Chapter 8](#). This involves developing quality content and then working with partner sites through a process of 'outreach'. Some have suggested that SEO has become less important, but the reality is that SEO has always involved a combination of technical SEO to ensure pages are indexed, development of content and working with other site owners. This hasn't changed.

With the growing importance of sharing of links through social media, the search engines can potentially use the number of social mentions to a page and across a site to determine ranking positions (Smart Insights, 2010). For example, a representative of Bing said of assessment of Twitter at the time:

We take into consideration how often a link has been tweeted or retweeted, as well as the authority of the Twitter users that shared the link.

However, Google's search engineers have never officially confirmed that social signals are used when asked. Although analysis has shown there is a correlation between number of social shares and articles that rank more highly, this doesn't indicate causation. There may be other known ranking factors in play, e.g. pages with more social shares tend to last longer, have higher user engagement and are more likely to attract organic links from other sites as more people become aware of them. Certainly it is positive for many reasons to create

articles that encourage social sharing, and most media sites and blogs use prominent widgets to show the number of shares and encourage further sharing.

The implications of this are that if companies can get influencers to recommend their content or offers through social networks this can have the dual effect of reaching more people through their **social graph** and improving rankings.

Social graph

A term popularised by Facebook in 2007 when describing its Facebook Platform. The social graph describes the relationship between individuals linked through social networks and other connections such as email or personal contact.

Advantages and disadvantages of SEO

Advantages of SEO

The main benefits of SEO are:

- **Significant traffic driver.** Figure 9.1 showed that search marketing can attract a significant proportion of visitors to the site *if* companies are successful in implementing it.
- **Highly targeted.** Visitors are searching for particular products or services so will often have a high intent to purchase – they are qualified visitors.
- **Potentially low-cost visitors.** There are no media costs for ad display or click-through. Costs arise solely from the optimisation process where agencies are paid to improve positions in the search results.
- **Dynamic.** The search engine robots will crawl the home page of popular sites daily, so new content is included relatively quickly for the most popular pages of a site (less so for deep links).

Disadvantages of SEO

Despite the targeted reach and low cost of SEO, it is not straightforward as these disadvantages indicate:

- **Lack of predictability.** Compared with other media, SEO is very unreliable in terms of the return on investment – it is difficult to predict results for a given investment and is highly competitive.
- **Time for results to be implemented.** The results from SEO may take months to be achieved, especially for new sites.

- **Complexity and dynamic nature.** The search engines take hundreds of factors into account, yet the relative weightings are not published, so there is not a direct correlation between marketing action and results – ‘it is more of an art than a science’. Furthermore, the ranking factors change through time.
- **Ongoing investment.** Investment is needed to continue to develop new content and generate new links.
- **Poor for developing awareness in comparison with other media channels.** Searchers already have to be familiar with a brand or service to find it. However, it offers the opportunity for less well-known brands to ‘punch above their weight’ and to develop awareness following click-through.

For these reasons, investment in paid search may also be worthwhile.

Best practice in planning and managing SEO

In this section we will review six of the main approaches used to improve the results from SEO covering different search engine ranking factors. We describe these in some detail since it is one of the most cost-effective digital marketing techniques, so it’s important to understand that SEO is a technical discipline and that the techniques used change through time. For this reason SEO is often outsourced to a specialist SEO agency, although some companies believe they can gain an edge through having an internal specialist who understands the company’s customers and markets well. You will see that some of the on-page optimisation techniques recommended in this section are relatively straightforward and it is important to control brand and proposition messages. Content editors and reviewers within a company therefore need to be trained to understand these factors and incorporate them into their copywriting.

1 Search engine submission

When a new site is launched its pages need to be crawled for it to be included within the search engine index and potentially get visibility. While you can register with the search engines, most existing companies and even startups will be automatically included in the search index since the search engine robots will follow links from other sites that link to them and do not require submission services. Google has allegedly placed new sites in a review status sometimes referred to as the *Google sandbox effect*. However, Google search engineers deny the existence of this and explain it is a natural artefact produced by new sites having limited links from other sites, history and thus reputation.

Either way, it is important to remember this constraint when creating startup companies or separate unlinked microsites for a campaign since you may have to rely on paid search to gain SERPS visibility.

2 Index inclusion

Although a search engine robot may visit the home page of a site, it will not necessarily crawl all pages or assign them equal weight in terms of PageRank or relevance. So, when auditing sites as part of an SEO initiative, SEO agencies will check how many pages are included within the search engine index for different search engines. This is known as **index inclusion**.

Index inclusion

Ensuring that as many of the relevant pages from your domain(s) are included within the search engine indexes you are targeting to be listed in.

Among the potential reasons for not gaining complete index inclusion are:

- Technical reasons why the search robots do not crawl all the pages, such as the use of SEO-unfriendly content management system with complex URLs.
- Pages identified as webspam or of less importance or considered to be **duplicate content**, which are then contained in what used to be known as the supplemental index in Google, which don't rank so highly. In these cases it is sometimes best to use a specific 'canonical' meta tag, which tells the search engine which is the primary page. If you are a multinational company with different content sites for different countries, then it can be challenging to deliver the relevant content for local audiences with use of regional domains tending to work best, but there are specialist techniques such as HREFLANG code markup, which can be used to tell Google which country and language a page is intended for.

Duplicate content

Different pages which are evaluated by the search engine to be similar and so don't rank highly, even though they may be for distinct products or services.

Companies can check the index inclusion by means of:

- using web analytics referrer information to find out which search engines a site's visitors originate from, and the most popular landing pages;
- checking the number of pages that have been successfully indexed on a site – for example, in Google the search '[inurl:www.smartinsights.com](#)' or '[site:www.smartinsights.com](#)' lists all the pages of Dave's site indexed by Google and gives the total number in the top-right of the SERPs;
- using Google Search Console, formerly known as 'Webmaster Tools' – a free service that site owners can register with that shows pages indexed and potential webspam problems, such as the penalty described in [Digital marketing insight 9.2](#).

3 Keyphrase analysis

The key to successful search engine marketing is achieving **keyphrase** relevance, since this is what the search engines strive for – to match the combination of keywords typed into the search box to the most relevant destination content page. Notice that we say 'keyphrase' (short for 'keyword phrase') rather than 'keyword', since search engines such as Google attribute more relevance when there is a phrase match between the keywords that the user types and a phrase on a page.

Keyphrase (keyword phrase)

The combination of words users of search engines type into a search box that form a search query.

Digital marketing insight 9.2: Is SEO a zoo of Pandas and Penguins?

Since it was launched, Google has named many of the major updates to its algorithm. The best source to review the latest changes is the Moz Algorithm change history ([moz.com/google-algorithm-change](#)). Some of the earlier updates, such as Florida in 2003 and Jagger in 2005, mark the start of Google proactively combatting webspam. In the entry for Florida, Moz explains:

This was the update that put updates (and probably the SEO industry) on the map. Many sites lost ranking, and business owners were furious. Florida sounded the death knell for low-value late '90s SEO tactics, like keyword stuffing, and made the game a whole lot more interesting.

Each year has seen hundreds of minor changes, which SEO specialists have to assess the importance of and review the impact on their sites using analytics. This is one reason that so many people work within SEO.

More recently, the **Panda and Penguin algorithm updates** have had a large impact, which has reduced the visits to many companies and can potentially destroy the business for an online pureplay or a small business. For an example, see the story of Joe, a plumber, related by Haynes (2012).

Panda and Penguin algorithm updates

Changes to Google's algorithm aimed at reducing the impact of webspam. They caused the rankings of many sites to fall. Panda targeted low-quality sites with 'thin' content. Penguin targeted sites using aggressive link building.

Panda involves a series of major algorithm updates by Google dating from 2011 that are still in place today, aimed at reducing the visibility of low-quality sites with 'thin' content. It was originally known as 'Farmer' to reduce the visibility of 'article farm' sites where webmasters could submit low-quality keyword-stuffed articles to sites targeting specific anchor text. Some also said it penalised 'scraper' sites where content was copied from other sites, but this was, in fact an existing filter.

Penguin was another series of major algorithm updates by Google dating from April 2012 to Autumn 2014 aimed at reducing the visibility of sites involved in aggressive link building. Google described it as an 'important algorithm change targeted at webspam. The change will decrease rankings for sites that we believe are violating Google's existing quality guidelines'. Specific techniques to avoid, which could result in penalties, include:

1. a link profile with too many links with similar exact-match anchor text, i.e. the same keyphrases from multiple sites;
2. keyword stuffing in inbound and outbound links;
3. use of keywords in 'exact-match domains (EMD)' where the domain name targeted a specific phrase;
4. related on-page factors where Google penalised poor-quality pages violating its guidelines.

Google has also developed many specialist updates, such as Pigeon in 2014 that governs Local SEO – search results related to a service in a region – and Pirate in 2014, which targeted sites offering downloads of videos and software. In addition to changes intended to combat spam, there are also algorithm updates related to infrastructure such as Caffeine and Hummingbird, which developed a concept called the **Knowledge Graph**.

Knowledge Graph

An infrastructure developed by Google to display related information about people, places and objects.

Key sources for identifying the keyphrases your customers are likely to type when searching for your products include your market knowledge, competitors' sites, keyphrases from visitors who arrive at your site (from web analytics), the internal site search tool and the keyphrase analysis tools such as the Google

Keyword Planner. When completing keyphrase analysis we need to understand different qualifiers that users type in. Here are examples of common types of qualifiers for ‘car insurance’:

- **comparison/quality** – compare car insurance;
- **adjective (price/product qualifiers)** – cheap car insurance, women’s car insurance;
- **intended use** – high-mileage car insurance;
- **product type** – holiday car insurance;
- **vendor** – Churchill car insurance;
- **location** – car insurance UK;
- **action request** – buy car insurance.

According to the Google Keyword Planner tool, for a single month in 2015, for searches completed in the UK, the most popular exact phrases related to car insurance were:

- car insurance: 450,000;
- car insurance quotes: 161,000;
- classic car insurance: 151,000;
- cheap car insurance: 145,000;
- compare car insurance: 109,660;
- temporary car insurance: 47,000;
- young drivers car insurance: 9,000.

These data suggest the importance of ranking well for high-volume ‘generic’ keyphrases such as ‘car insurance quotes’ and to consider products and services that target a need such as ‘temporary’ or ‘young drivers insurance’ and name them accordingly.

4 On-page optimisation

Although each search engine has its own algorithm with many weighting factors that change through time, fortunately there are common factors in the match between search terms entered and the occurrence of the words on the page that influence search engine rankings.

Occurrence of search term in body copy

The number of times the keyphrase is repeated in the text of the web page is a factor in determining the position for a keyphrase, but it is less important than

when search engines were first developed, as discussed by Fiorelli (2014). Copy can be written to increase the number of times a word or phrase is used (technically, keyword density) and this can have a limited impact to boost position in the search engine. Note, though, that search engines carry out checks that a phrase is not repeated too many times (such as ‘cheap flights ... cheap flights ...’) or the keyword is hidden using the same colour text and background) and will not list the page if this keyphrase density is too high or it believes ‘keyword stuffing’ or ‘search engine spamming’ has occurred. Today, other ranking factors such as anchor text of backlinks pointing to the page from other pages and other sites and the natural occurrence of synonyms within the page body copy, headings and title are more important. User behaviour signals are also important, so Google favours pages that engage visitors for longer and so have longer dwell times or lower bounce rates compared to other pages.

In its guidance for Webmasters, Google (2018) states:

Google goes far beyond the number of times a term appears on a page and examines all aspects of the page’s content (and the content of the pages linking to it) to determine if it’s a good match for your query.

These other factors include:

- frequency (which must be not too excessive, i.e. less than 2–4 per cent);
- occurrence in page title and headings, marked in HTML code as <title>, <h1>, <h2>;
- occurrence in anchor text of hyperlinks;
- markup such as bold;
- proximity of phrase to start of document and the gap between individual keywords;
- links out to other related sites;
- alternative image text (explained below);
- document meta-data (explained below).

Alternative image text

Graphical images can have hidden text associated with them that is not seen by the user (unless graphical images are turned off or the mouse is rolled over the image) but will be seen and indexed by the search engine and is a minor ranking factor, particularly in images linking to other pages. For example, text about a

company name and products can be assigned to a company logo using the ‘ALT’ tag or attribute of the image tag as follows:

```

```

Document meta-data

‘Meta’ refers to information ‘about’ the page that characterises it. The three most important types of meta-data are the document <title> tag, the document ‘descriptions’ meta tag and the document ‘keywords’ meta tag. These need to be unique for each page on a site, otherwise the search engine may assess the content as duplicate and some pages may be down-weighted in importance. Let’s look at it in a little more detail:

- 1. The document title.** The <title> tag is arguably the most important type of meta-data since each search engine places significant weighting on the key phrases contained within it *and* it is the call-to-action hyperlink on the search engine results page (Figure 9.3). If it contains powerful, relevant copy, you will get more clicks and the search engine will assess relevance relative to other pages that are getting fewer clicks.
- 2. The ‘description’ meta tag.** A meta tag is an attribute of the page within the HTML <head> section which can be set by the content owner. It doesn’t directly affect ranking, but shows the information that will typically be displayed in the search engine results page. If it is absent or too short, relevant ‘snippets’ will be used from within the body copy, but it is best to control messages and this can help identify the page as unique to prevent duplicate content problems. So, the page creator can modify this to make a stronger call-to-action in the search engine listings, as in this case:

```
<meta name="description" content="Direct Line offers you great value car insurance by cutting out the middleman and passing the savings directly on to you. To find out if you could save, why not get a car insurance quote? Breakdown Cover Insurance also available.">
```

To see how relevant and unique your <title> and meta descriptions are, use the Google ‘site’: syntax with a keyphrase – this will return all the pages on your site about a particular topic. For example:

```
<digital marketing strategy site:smartinsights.com>
```

To view meta tags for a site, select View, Source or Page Source in your browser.

- 3. The ‘keywords’ meta tag.** The meta keywords meta tag is used to summarise the content of a document based on keywords. Some unscrupulous SEOs can still be heard to say to potential clients (‘we will optimise your meta tags’). But this is not significant today since the keywords meta tag is relatively unimportant as a ranking factor (Google has never used them), although these keywords may be important to internal search engines. For example:

```
<meta name="keywords" content="Car insurance, Home insurance, Travel insurance, Direct line, Breakdown cover, Mortgages personal loans, Pet insurance, Annual holiday insurance, Car loans, UK mortgages, Life insurance, Critical illness cover">
```

- 4. Semantic markup.** In order to better manage the interrelationships between different data on the web, the W3C has introduced specific HTML markup in a format defined by Schema.org known as **microformats**, which can be used to reinforce the semantics, or meaning, of the information on web pages so that it can be better understood and managed by search engines. These are particularly important in some markets since they give more prominence to businesses in the search results, as described by Smart Insights (2014), for example:
 - local business information such as names and addresses;
 - product details such as pricing, size;
 - reviews and ratings awarded for articles, products or service quality.

Microformats

A semantic definition of a specific information type such as a product, event, recipe or review. Schema.org manages some of the most common definitions.

5 External linking

Boosting external links from other sites is vital to SEO in competitive markets – on-page optimisation is insufficient, although it is less easy to control and often neglected. The founders of Google realised that the number of links into a page and their quality was a great way of determining the relevance of a page to searchers, especially when combined with the keyphrases on that page (Brin

and Page, 1998). Although the Google algorithm has been upgraded and refined continuously since then, the number and quality of external links is still recognised as an important ranking factor and this is similar for other search engines. As we mentioned above, links shared through social media are now also used as ranking factors.

Generally, the more links a page has from good-quality sites, the better its ranking will be. **PageRank** is one factor that helps Google deliver relevant results since it counts each link from another site as a vote. However, not all votes are equal – Google gives greater weight to links from pages that themselves have a high PageRank and where the link anchor text or adjacent text contains text relevant to the keyphrase. It has been refined to identify sites that are ‘authority sites’ or hub sites for a particular type of search. For keyphrases where there is a lot of competition, such as ‘car insurance’, the quantity and quality of inbound links will be far more important than keyphrase density in determining ranking.

PageRank and Domain Authority (DA)

PageRank is a scale between 0 to 10 used by Google’s internal algorithms (named after Google founder Larry Page) that is used to assess the importance of web pages according to the number of inbound links or backlinks. It was publically shown in Google’s browser toolbar until 2016. Today, to get an indication of the authority of a site and page other options are available such as Moz Domain Authority (DA) and Page Authority (PA), which varies between 0 and 100 and can also be accessed from a toolbar and is useful for benchmarking the relative authority of sites based on the number of unique links to them.

While natural links will be generated if content is useful, a proactive approach to link-building is required in competitive markets. Chaffey and Smith (2017) recommend these steps to help boost your external links.

- 1. Identify and create popular content and services.** By creating more valuable ‘cornerstone content’ and then showcasing it within your navigation, or grouping it within a few pages such as a ‘Useful Resources’ or a more extensive ‘Resource Centre’, you can encourage more people to link to your content naturally, or approach them and suggest they link or bookmark not only to the home page, but directly to the useful tools that have been created. This is part of the content marketing approach described in [Chapter 8](#).
- 2. Identify potential partner sites.** There are several options to find partner sites. It is helpful to try to identify the types of sites that you

may be able to link with, for example:

- directories of links (typically less valuable today);
- traditional media sites;
- niche online-only media sites;
- trade associations;
- manufacturers, suppliers and other business partners;
- press release distribution sites (typically less valuable today);
- bloggers including customers and partners;
- social networks.

Note: The section on online PR later in this chapter has more guidance on approaches for link-building and influencer outreach, which is the technical term for this activity and is one method of ‘content distribution’ described in the ‘Content marketing’ section in [Chapter 8](#).

3. Contact partner sites as part of link-building. A typical sequence is:

- Step 0 – Develop relevant content or offer to encourage linking as part of content marketing.
- Step 1 – write email encouraging link (or phone call to discuss with someone inside the company will often work best).
- Step 2 – follow-up link.
- Step 3 – set up links.

Google suggests that site owners should rely on organic linking to their content because of its value and has criticised many approaches to proactive link-building that marketers have found effective. For example, Google has cautioned that ‘guest blogging’, where a writer creates an article for another site linking back to their own site, shouldn’t be used. Yet it is a common, effective practice and is essentially a form of PR, so it is no surprise that marketers persist with this practice. However, Google has put filters such as the Penguin algorithm in place to reduce the impact of links from other sites that are clearly used to ‘game’ the system. So if an ignorant link-builder has created many identical links to a site from different sites with the same anchor text, such as ‘car insurance quotes’ for example, then Google will see this as an unnatural ‘backlink profile’ for the site. Google has put tools in place to ‘undo the

damage' created by link-building, such as a Disavow link tool in Google Search Console.

Given that the quality (and quantity) of inbound or backlinks is one of the main factors that determines SEO success, it is important that an in-house or agency specialist uses the types of tools shown in [Digital marketing insight 9.3](#) to review their approach.

Many of the principles of external link-building can also be applied to links within sites. The most important principle is to include keyphrases used by searchers within the anchor text of a hyperlink to point to relevant content. It's also important to consider how to increase the number of internal links to pages that you want to rank well. A meshed structure with lots of interlinks can work better than a simple hierarchy.

6 SEO for mobile devices

Since smartphone use has increased substantially, Google has taken many steps to ensure users of its search engine have a good experience on mobile. These are some of the key initiatives that marketers have to be aware of since they may lose visibility or miss out on opportunities:

- 1. Page download speed.** With much of the world still using 2G rather than 4G or broadband, Google assesses page download speeds, publishes benchmarks and may penalise particularly slow sites.
- 2. Mobile rendering.** Google provides developers with testing tools to ensure all sites render so they are usable on smartphones and tablets as well as desktops. Google has recommended the mobile responsive design approach we covered in [Chapter 7](#). Pages that don't follow mobile design standards may lose visibility.
- 3. Pop-ups and interstitials.** Pop-ups and interstitial promotions are displayed on some sites when a page loads – for example, retailers and publishers encourage site visitors to sign up to an e-newsletter. Google has advised site owners that these shouldn't be used on smartphones and that it may penalise sites that display these.
- 4. Accelerated Mobile Pages (AMPs).** In August 2016, Google announced that these faster-loading page formats, which are served from Google's servers rather than a company's server, would appear in all search results, not just News results, and so they have become more relevant for all businesses beyond publishers for who they were most

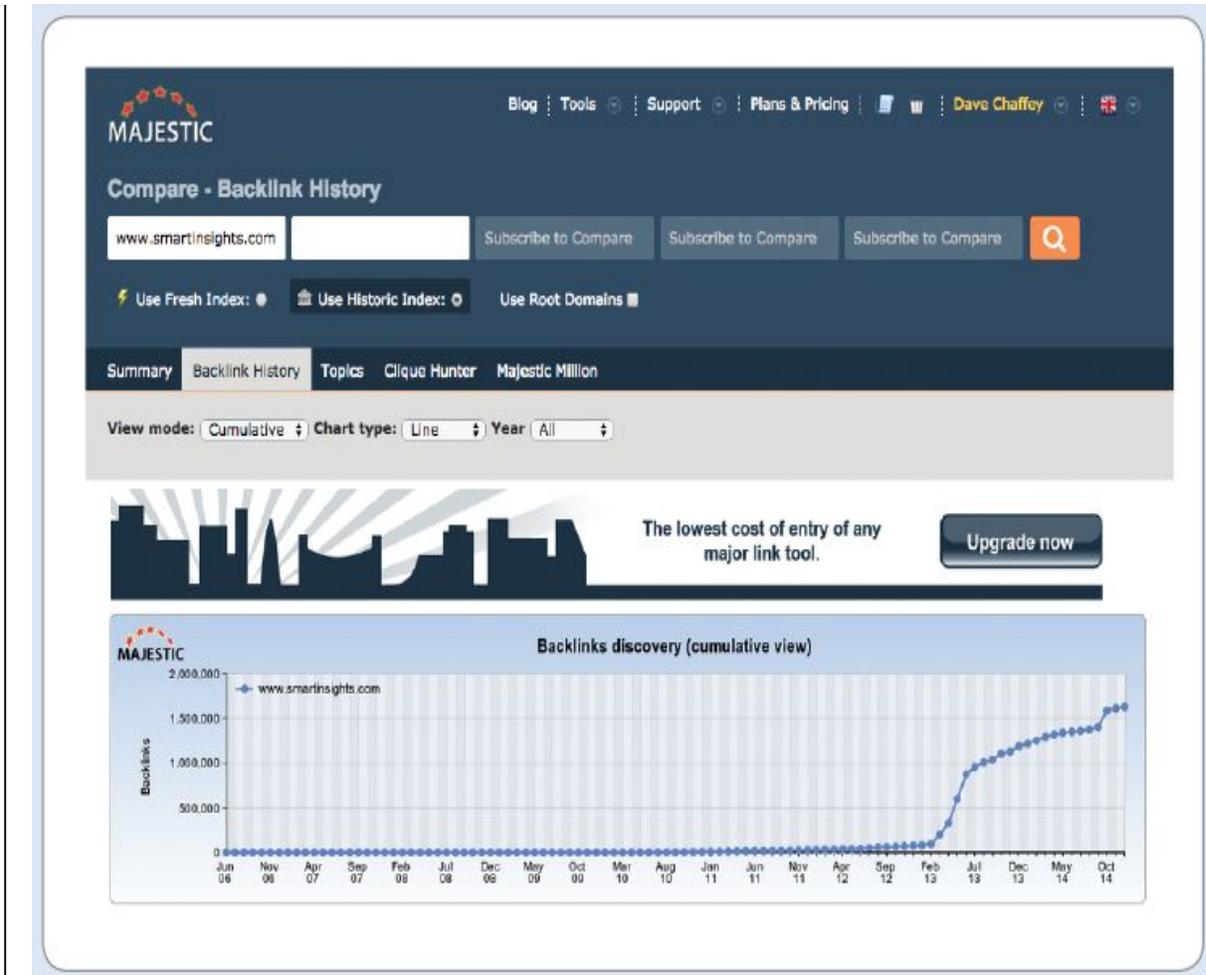
relevant initially. At the time of writing, only a minority of sites use them, yet you can see the importance that Google gives to AMP, since David Besbris who is the VP of Google Search, is also the AMP Project Lead. He says (Besbris, 2017):

In two years, we've seen the project grow from a few launch partners to over 25 million website domains that have published more than 4 billion AMP pages. And not only has the number of pages built with AMP grown, their speed has too. The median time it takes an AMP page to load from Google search is less than half a second.

Digital marketing insight 9.3: Reviewing the links into a site

You can use the syntax `link:site` in Google to see examples of links into a page on a site as judged by Google, e.g. `link:www.smartinsights.com`. But note that this also includes internal links and is not comprehensive. A better option to display links is the Moz Site Open Site Explorer tool (www.opensiteexplorer.com) or Majestic (www.majestic.com, Figure 9.6), which has a free backlink history tool to show the growth in links. Note that it is the growth in *unique* linking domains that is more important to review for ranking competitiveness. For alerts of new links or new mentions on other sites, Google's own alerts (www.google.com/alerts) and www.talkwalker.com/alerts are useful tools. Other free services such as BuzzSumo™ (www.buzzsumo.com), Sharedcount.com and the Google Search Console can also give this information.

Figure 9.6 Backlink analysis



Source: Majestic (www.majestic.com)

He contrasts the half-second figure with a benchmark statistic that 53 per cent of mobile site visits are abandoned if pages take longer than three seconds to load, although site abandons are natural regardless of load time. A related technology is Progressive Web Apps (PWAs), which can be used alongside AMPs and are designed for rapid serving of content without the need for a native mobile app from an app store.

Paid search marketing

Although SEO has proved a popular form of digital marketing, paid search marketing is still of great relevance since it gives much more control on the appearance in the listings, subject to the amount bid and the relevance of the ad.

Each of the main Western search engines has its own paid advertising programme:

- Google Ads (www.ads.google.com);
- Microsoft Bing (<https://advertise.bingads.microsoft.com>).

What is paid search marketing?

We explained the principles of paid search marketing or sponsored links in the introduction to the section on search engine marketing. Although we said that the main model for paying for ads in the search engines is pay-per-click marketing, we have called this section paid search marketing since there are, increasingly, other options for payment on what is known as the content network. Retailers have an additional option for paid search known as **Product Listing Ads (PLAs)**, which are ads showing product images and prices that you may have seen when searching for retail products. These account for more than 50 per cent of paid search ad spend according to Merkle (2017).

Google's Product Listing Ads (PLAs)

Product information such as pricing and images are uploaded to Google's servers using a product feed in XML or text formats for display in ads within Google Ads or Google Shopping.

Paid search marketing is an example of **biddable media**, where businesses have to bid against other businesses to achieve visibility for their adverts. Note that, as we will see in the section on quality score, the amount bid isn't the only factor that affects the prominence of the ad, since relevance of the ad is also important.

Biddable media

Businesses have to bid against other businesses in auctions to achieve visibility for their adverts, for example, when using pay-per-click advertising or programmatic advertising.

Paid search content network

Paid listings are also available through the **display network** of the search engines such as Google AdSense and Yahoo! Content Match. These **contextual ads** are automatically displayed according to the page content. They can be paid for on a CPC or CPM basis and include not only text ads but also options for graphical display ads or video ads. Google generates around a third of its revenue from the content network, so there is a significant amount of expenditure on the network.

Display (or content) network

Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or a CPA basis. There are also options for graphical or video ads as well as text-based ads.

Contextual ad

Ad relevant to page content on third-party sites brokered by search ad networks.

What controls position in paid search?

In early pay-per-click programs, the relative ranking of sponsored listings was simply based on the highest-bidder cost-per-click (CPC) for each keyword phrase. So it was a pure auction arrangement, with the cost-per-click dependent on the balance of the extent of competition in the marketplace against the revenue or profit that can be generated dependent on conversion rates to sale and retention. The inflated CPCs (Table 9.2) at the time of writing in different product sectors show how competitive Google Ads is. Since only a small proportion of visitors to a site clicking from the ad will convert, it is difficult to generate a positive return-on-investment for these generic terms.

Contrary to what many web users may believe, today it is not necessarily the company that is prepared to pay the most per click that will get top spot. The search engines also take the relative click-through rates of the ads dependent on their position (lower positions naturally have lower click-through rates) into account when ranking the sponsored links, so ads that do not appear relevant, because fewer people are clicking on them, will drop down or may even disappear off the listing. The analysis of CTR to determine position is part of the **quality score**, a concept originally developed by Google but now integrated as part of the Microsoft Bing and Yahoo! search networks.

Quality score

An assessment in paid search by Google Ads (and now other search engines) of an individual ad triggered by a keyword that, in combination with the bid amount, determines the ranking of the ad relative to competitors. The primary factor is the click-through rate for each ad, but quality score also considers the match between the keyword and the occurrence of the keyword in the text, historical click-through rates, the engagement of the searcher when they click through to the site and the speed at which the page loads.

Table 9.2 Example variation in cost-per-click for different keywords in UK campaigns

Category	CPC (£)
Broadband	£10.35
Car insurance	£9.66
Digital marketing agency	£8.79
Holiday Barbados	£1.79
Laser eye treatment	£30.91
Marketing Automation	£32.33

Source: Suggested position 1 bids from the Google Keyword Planner in 2018

Google quality score

Understanding quality score is the key to successful paid search marketing. You should consider its implications when you structure the account and write copy or review performance with an agency. Google developed the quality score because it understood that delivering *relevance* through the sponsored links was essential to its users' experience, and the company's profits. Google Ads help system explains:

The Ads system works best for everybody; advertisers, users, publishers and Google too when the ads we display match our users' needs as closely as possible. We call this idea 'relevance'.

We measure relevance in a simple way: Typically, the higher an ad's quality score, the more relevant it is for the keywords to which it is tied. When your ads are highly relevant, they tend to earn more clicks, move higher in Ad Rank and bring you the most success.

A summary formula for the Google quality score is:

Quality score = (keyword's click-through rate, ad text relevance, keyword relevance, landing page relevance, speed and other methods of assessing relevance)

So, higher click-through rates achieved through better-targeted creative copy are rewarded, as is relevance of the landing page (Google now sends out AdBots-Google to check them out). More relevant ads are also rewarded through ad text relevance, which is an assessment of the match of headline and

description to the search term. Finally, the keyword relevance is the match of the triggering keyword to the search term entered.

If you have ever wondered why the number of paid ads above the natural listings varies from none to four, then it's down to the quality score as well as amount bid – you can only get the coveted positions for keywords that have a sufficiently high quality score – you can't solely 'buy your way to the top', as many think.

Advantages and disadvantages of paid search marketing

Paid search listings, or sponsored links, are very important to achieve visibility in search engines when an organisation is in a competitive market, given the competition to appear on the first page of the natural listing for target keyphrases.

As a result, many companies with an established paid search programme may generate more visits from paid search than SEO, although this wouldn't be true for companies that are class leaders in SEO.

Advantages of paid search marketing

The main benefits of paid search marketing are:

- **The advertiser is not paying for the ad to be displayed.** As we explained at the start of [Chapter 8](#), wastage is much lower with paid search compared to traditional advertising. Cost is only incurred when an ad is clicked on and a visitor is directed to the advertiser's website. Hence it's a cost-per-click (CPC) model! However, there are increasingly options for paid search marketing using other techniques – Google also offers CPM (site targeting) options on the [Google Display Network \(GDN\)](#), where contextual ads are displayed on third-party sites relevant to the content on a page.
- **PPC advertising is highly targeted.** The relevant ad with a link to a destination web page is only displayed when the user of a search engine types in a specific phrase (or the ad appears on the content network, triggered by relevant content on a publisher's page), so there is limited wastage compared to other media. YouTube users can also be targeted through Google's 'promoted video' PPC option. Users responding to a

particular keyphrase or reading related content have high intent or interest and so tend to be good-quality leads.

- **Good accountability.** With the right tracking system, the ROI for individual keywords can be calculated.
- **Predictable.** Traffic, rankings and results are generally stable and predictable in comparison with SEO.
- **Technically simpler than SEO.** Position is based on combination of bid amount and quality score. Whereas SEO requires long-term, technically complex work on page optimisation, site re-structuring and link building.
- **Remarketing.** Google offers a remarketing option for retargeting through cookies placed on the searcher's computer to display ads on the content network after someone has clicked on a paid search ad or visited a specific page on a site as a reminder to act. These can be effective in boosting the conversion rate to lead or sale.
- **Prospecting with customer match.** By uploading similar audiences Google can serve ads to people who are similar in terms of their profile and behaviour.
- **Speed.** PPC listings get posted quickly, usually in a few days (following editor review). SEO results can take weeks or months to be achieved. Moreover, when a website is revised for SEO, rankings will initially drop while the site is re-indexed by the search engines.
- **Branding.** Tests have shown that there is a branding effect with PPC, even if users do not click on the ad. This can be useful for the launch of products or major campaigns.

Google Display Network (GDN)

Different types of online publishers agree for Google to display contextual ads on their sites for a fee, for example as part of the AdSense programme.

Disadvantages of paid search marketing

However, there are disadvantages to be managed:

- **Competitive and expensive.** Since pay-per-click has become popular, some companies may get involved in bidding wars that drive bids up to an unacceptable level. Some phrases such as 'car insurance' can exceed £10 per click.
- **Inappropriate.** For companies with a lower budget or a narrower range of products on which to generate lifetime value, it might not be cost-effective

to compete.

- **Requires specialist knowledge.** PPC requires a knowledge of configuration, bidding options and of the reporting facilities of different ad networks. Internal staff can be trained, but they will need to keep up to date with changes to the paid search services.
- **Time-consuming.** To manage a PPC account can require daily or even hourly checks on the bidding in order to stay competitive. This can amount to a lot of time. The tools and best practice varies frequently, so keeping up to date is difficult.
- **Irrelevant.** Sponsored listings are only part of the search engine marketing mix. Many search users do not click on these because they don't trust advertisers, although these are mainly people involved in marketing!

Best practice in planning and managing paid search marketing

With PPC, as for any other media, media buyers carefully evaluate the advertising costs in relation to the initial purchase value or lifetime value they feel they will achieve from the average customer. As well as considering the cost-per-click (CPC), you need to think about the conversion rate when the visitor arrives at your site. Clearly, an ad could be effective in generating click-throughs or traffic, but not achieve the outcome required on the website such as generating a lead or online sale. This could be because there is a poor-incentive call-to-action or the profile of the visitors is simply wrong. One implication of this is that it will often be more cost-effective if targeted microsites or landing pages are created specifically for certain keyphrases to convert users to making an enquiry or sale. These can be part of the site structure, so clicking on a 'car insurance' ad will take the visitor through to the car insurance page on a site rather than a home page.

Table 9.3 shows how cost-per-click can differ between different generic (e.g. 'car insurance') and specific (e.g. 'women's car insurance') keywords, as well as the impact of different conversion rates on the overall CPA. The table also shows the cost of PPC search in competitive categories and why companies will strive to maximise their quality score to help reduce costs.

The cost per customer acquisition (CPA) can be calculated as follows:

$$\text{Cost per acquisition} = \frac{100}{\text{conversion rate \%}} \times \text{cost-per-click}$$

Given the range in costs, two types of strategy can be pursued in PPC search engine advertising. If budget permits, a premium strategy can be followed to compete with the major competitors who are bidding the highest amounts on popular keywords. Such a strategy is based on being able to achieve an acceptable conversion rate once the customer arrives on the website. A lower-cost strategy involves lower bids or bidding on lower-cost, less-popular phrases. These will generate less traffic, so it will be necessary to devise a lot of these phrases to match the traffic from premium keywords.

Optimising pay-per-click

Each PPC keyphrase ideally needs to be managed individually in order to make sure that the bid (amount per click) remains competitive in order to show up in the top of the results. Experienced PPC marketers broaden the range of keyphrases to include lower-volume phrases. Since each advertiser will typically manage thousands of keywords to generate click-throughs, manual bidding soon becomes impractical.

Table 9.3 Examples of cost-per-click and CPA figures

Keywords	Clicks/day	Avg. CPC	Cost/day	CPA @ 25% conversion	CPA @ 10% conversion
'car insurance'	1,323	€15.6	€20,640	€62	€156
'cheap car insurance'	199	€14.6	€2905	€58	€146
'women's car insurance'	4	€11.6	€46	€46	€116

Some search engines include their own bid management tools, but if an organisation is using different pay-per-click schemes, it makes sense to use a single tool to manage them all. It also makes comparison of performance easier too. Bid management software such as Kenshoo™ (www.kenshoo.com) and WordStream™ (www.wordstream.com) can be used across a range of PPC services to manage keyphrases on multiple PPC ad networks and optimise the costs of search engine advertising. The current CPC is regularly reviewed and your bid is reduced or increased to maintain the position you want according to different strategies and ROI limits, with amounts capped such that advertisers do not pay more than the maximum they have deposited.

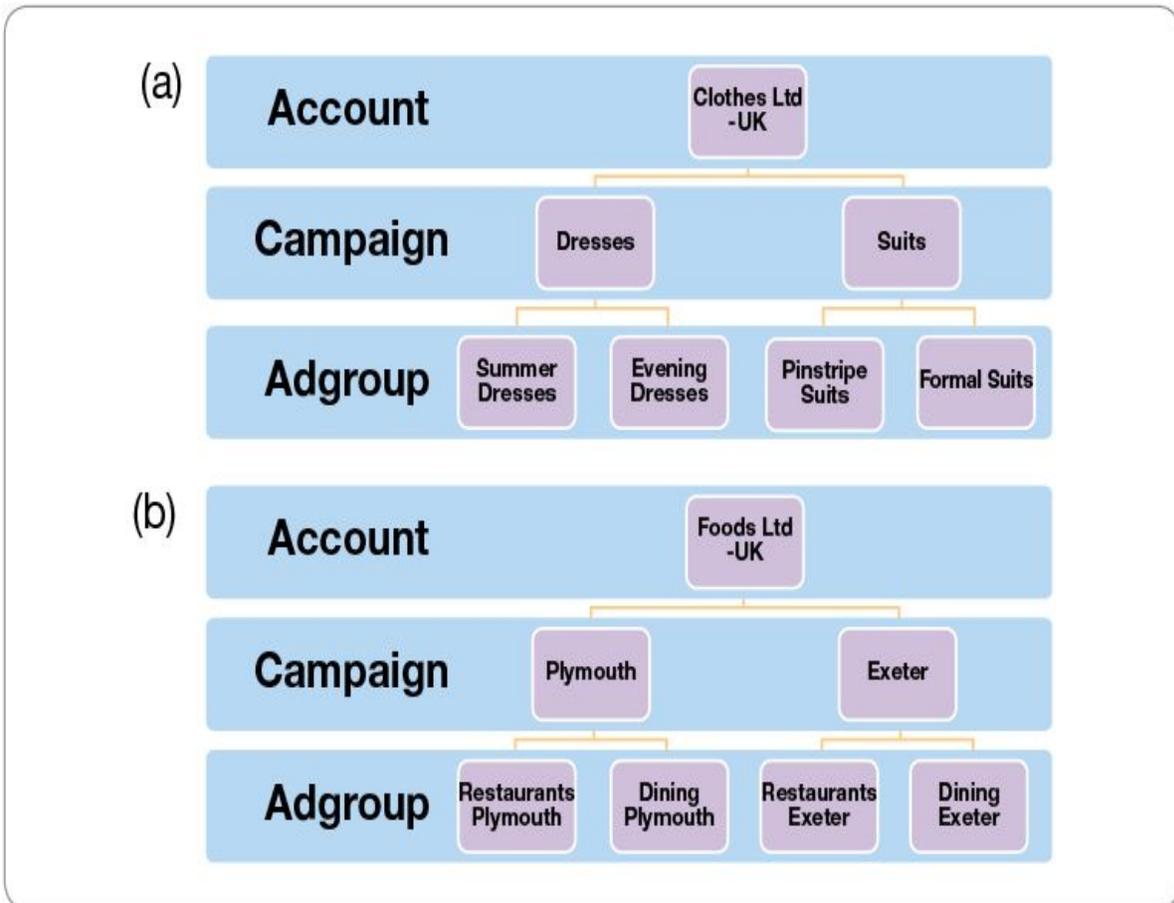
Although pay-per-click marketing does not initially appear as complex as search engine optimisation, in reality there are many issues to consider. In the

next section we explain some of the main techniques and questions for the digital marketer to ask.

1 Targeting

- **Search ad network strategy.** Which of the search networks mentioned above do you use? Which are used in different countries?
- **Content network strategy.** How do you treat the content network? Do you disable it? Create separate campaigns? Target specific sites using the Placement tool? Develop different creative? Use placement targeting in Google?
- **Campaign structure strategy.** Campaign structure is important to ensure that searches using a specific search term trigger the relevant ad creative. Are AdGroups small enough to deliver a message relevant for the keyphrase entered? To understand the type of targeting that is possible, look at these two examples. First, in [Figure 9.7\(a\)](#) we have a campaign structure for an online clothes retailer. It monitors spend and budget by product type, so structures its campaigns accordingly and targets them nationally. Keywords related to each product will trigger ads defined within each AdGroup. In [Figure 9.7\(b\)](#) is an example of a campaign for a restaurant chain. It monitors spend and budget by outlet, so structures its campaigns accordingly and targets them to local areas.
- **Keyword matching strategy.** How is creative targeted using the combination of broad match and negative match, phrase match and exact match?
- **Search-term targeting strategy.** What are the strategies for targeting different types of keyphrases such as brand, generic, product-specific and different qualifiers (cheap, compare, etc.)?

Figure 9.7 Google Ads campaign structures: (a) clothing retailer; (b) restaurant chain



2 Budget and bid management

- **Budgeting strategy.** Is budget set as maximum cost-per-click (CPC) at the appropriate level to deliver satisfactory return on investment? Is daily budget sufficient that ads are served at full delivery (always present)? Should we use Google's machine learning bid management tools, which can, for example, optimise on conversions?
- **Listing position strategy.** Which positions are targeted for different keywords?
- **Bidding strategies.** What is the appropriate maximum cost-per-click for different target keywords and campaigns to maximise effectiveness?
- **Dayparting strategy.** Are ads delivered continuously through the day and week or are certain days and times targeted (e.g. office hours, evening after ad breaks)?
- **Bid adjustments.** This is a tool to simplify the complexity of advertising when different types of mobile devices can be targeted in different

locations at different times. If a business isn't seeing such a high return on mobile devices then it can reduce bids.

- **Bid management tool strategy.** Is a tool used to automate bidding? Which?
- **Importance of fake clicks.** Whenever the principle of PPC marketing is described to marketers, very soon a light bulb switches on and they ask, 'So we can click on competitors and bankrupt them?'. Well, actually, no. The PPC ad networks detect multiple clicks from the same computer (IP address) and filter them out.

Bid adjustments

An approach introduced by Google in 2013 as 'enhanced campaigns', but later renamed to simplify the management of ads displayed in different locations, different day parts (times of day) and different devices.

3 Creative testing and campaign optimisation

- **Ad creative and copy strategy.** How are the 95 characters forming ad headlines, description and creative used to encourage click-through (and reduce click-through from unqualified visitors if necessary)? Is alternative copy tested? How are ads tested?
- **Destination or landing page strategy.** How are landing pages improved?
- **Campaign review and optimisation strategy.** What is the workflow for reviewing and improving success? Which reports are used? How often are they reviewed? By whom? Which tests are used? What are the follow-ups?
- **Specialist and innovative paid search techniques.** These include ad extensions, local, international and pay-per-call.

4 Communications integration

- **SEO integration strategy.** How is SEO integrated with paid search to maximise ROI?
- **Affiliate integration strategy.** How is affiliate marketing integrated with paid search to maximise ROI?
- **Marketing campaign integration strategy.** How are budget and creative changed during offline campaigns?

Online public relations and influencer relationship management

What is online public relations?

Digital media have become a very important element of **public relations (PR)** and the Internet has influenced PR practices (Ye and Ki, 2012). More funds have been allocated to online PR projects, especially through corporate and social blogs, and its contribution to branding strategies has increased significantly (Bush, 2010). Online PR is relevant for businesses of all sizes since improving reputation, trust and awareness is so important. It is also relatively cost-effective and so appeals to small businesses and startups who can potentially make a big impact with online PR, coupled with content marketing if they harness it effectively.

Public relations (PR)

The management of the awareness, understanding and reputation of an organisation or brand, primarily achieved through influencing exposure in the media.

Online PR activity is closely associated with improving results from many of the other communications techniques described in this chapter, in particular SEO (link-building), partnership marketing and social media marketing. It is also closely related to content marketing since a core activity in content marketing is ‘content distribution’, which can involve working with influencers to feature content that has been developed.

But let’s start with an understanding of traditional public relations. On its website, the Chartered Institute of Public Relations defines PR as follows:

Public relations is about reputation – the result of what you do, what you say and what others say about you. Public relations is the discipline which looks after reputation, with the aim of earning understanding and support and influencing opinion and behaviour. It is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics [its target audience including potential customers and stakeholders].

From a practical marketing communications and traffic building perspective, the main PR activities are media relations or managing influencer outreach with

different types of **online influencers** or **Key Opinion Leaders** (KOLs), which can be used to reach and influence potential customers. While websites are important tools for promoting investor relations and CSR (corporate social responsibility), this is not our main focus here.

Online influencers or Key Opinion Leaders

Online influencers can include any type of person who publishes online who has a significant following. They can include journalists, bloggers or celebrities.

Online public relations (e-PR), or digital PR, leverages the network effect of the Internet and social networks. Remember that Internet is a contraction of ‘interconnected networks’! Mentions of a brand or site on other sites are powerful in shaping opinions and driving visitors to your site. The main element of online PR is maximising favourable mentions of an organisation, its brands, products or websites on third-party websites that are likely to be visited by its target audience. Furthermore, as we noted in the section on search engine optimisation, the more links there are from other sites to your site, the higher your site will be ranked in the natural or organic listings of the search engines. **Online influencer outreach** is now an important activity to identify companies or individuals with a strong online following and then use these contacts to influence their audience. Minimising unfavourable mentions, for example monitoring and influencing conversations in blogs and social networks through **online reputation management**, is also an aspect of online PR.

Online public relations (e-PR)

Maximising favourable mentions of your company, brands, products or websites on third-party websites that are likely to be visited by your target audience. Online PR can extend reach and awareness of a brand within an audience and will also generate backlinks vital to SEO. It can also be used to support viral or word-of-mouth marketing activities in other media.

Online influencer outreach

Identifying online influencers such as bloggers, media owners or individuals with a large online following in the social networks and then approaching them to partner together to communicate with their audience.

Online reputation management

Controlling the reputation of an organisation through monitoring and controlling messages placed about the organisation.

Today, online PR and influencer outreach are often managed as a continuous, year-round process of **influencer relationship management (IRM)**. We think the reason for this change is two-fold. First, an emerging category of software services to identify and communicate with influencers has evolved. This category has been labelled IRM by service vendors since this shows the value of their products. Second, savvy companies are using influencer outreach on a more structured, more continuous basis to fit with an ‘always-on’ inbound or content marketing strategy.

Influencer relationship management (IRM)

A structured process to continuously manage and measure influencer outreach as a programme of campaigns based on content-assets and ‘always-on’ activities against defined goals.

Differences between online PR and traditional PR

Researchers suggest that digital media tends to bolster stakeholders’ strength and increase organisations’ ability to collect information, monitor public opinion and engage in direct dialogue with their publics regarding key issues (McAllister and Taylor, 2007). Ranchhod *et al.* (2002) identify four key differences between online PR and traditional PR that are fundamentals of online PR that remain true today:

- 1. The audience is connected to organisations.** Previously, there was detachment – PR people issued press releases that were distributed over the newswires, picked up by the media and then published. These authors say:

The communication channel was unidirectional. The institutions communicated and the audiences consumed the information. Even when the communication was considered a two-way process, the institutions had the resources to send information to audiences through a very wide pipeline, while the audiences had only a minuscule pipeline for communicating back to the institutions.

- 2. The members of the audience are connected to each other.** Through publishing their own blogs, social profiles or e-newsletters or

contributing to reviews or discussions on others, information can be rapidly distributed from person to person and group to group. Consumers will also have their own conversations about their needs and brands, which will shape brand perception and purchase intent. The authors say:

Today, a company's activity can be discussed and debated over the Internet, with or without the knowledge of that organisation. In the new environment everybody is a communicator, and the institution is just part of the network.

- 3. The audience has access to other information.** Often in the past, the communicator was able to make a statement that it would be difficult for the average audience member to challenge – the Internet facilitates rapid comparison of statements. The authors say:

It takes a matter of minutes to access multiple sources of information over the Internet. Any statement made can be dissected, analysed, discussed and challenged within hours by interested individuals. In the connected world, information does not exist in a vacuum.

- 4. Audiences pull information.** Today this is often known as inbound marketing. Previously there were limited channels in terms of television and press. Today there are many sources and channels of information – this makes it more difficult for the message to be seen. The authors say:

Until recently, television offered only a few channels. People communicated with one another by post and by phone. In these conditions, it was easy for a public relations practitioner to make a message stand out.

For the marketer or PR professional managing PR, the main differences are:

- **Less easy to control.** There are many more places a brand can be discussed online, such as in blogs and forums, compared to traditional media where there are a smaller number of media outlets with news filtered through journalists and other editorial staff.
- **More options to create their own stories.** Since a company will have its own site, press centre, feeds and blogs, it is possible to bypass other media

owners to some extent. Many companies have now created a ‘social media newsroom’.

- **Need for faster response.** It is often said that ‘bad news travels fast’. This has been facilitated online and a ‘social media storm’ can soon arise where many are critical of a brand’s action. Rapid response ‘crisis communications’ teams are needed. Some brands have created a social media command centre as part of a **social media governance** process based on **social media listening**. For examples of social media governance policies in a range of sectors, see www.socialmediagovernance.com.
- **Opportunities for proactive real-time campaigns.** Businesses can take advantage of current public interest in breaking news to gain awareness, sometimes known as ‘newsjacking’.
- **Easier to monitor.** Since Google and online reputation management tools index many pages, it is arguably easier to identify when a brand is discussed online.

Social media governance

A definition of how companies should respond to social mentions that may give rise to leads or reputational damage.

Social media listening

The process of using monitoring tools to review mentions of a brand and related keywords within social networks and other online sites.

Advantages and disadvantages of online public relations

Advantages of online public relations

The advantages of the proactive online public relations techniques that seek to build a buzz around a campaign or to gain favourable mentions and links on third-party sites are:

- **Reach.** Online PR can be a relatively low-cost method of directly reaching a niche audience, or a mass audience if the brand is amenable to stories that are of interest to publishers. This is often the case for new online brands and startups. For example, Dollar Shave Club™ (www.dollarhaveclub.com) gained initial awareness of its subscription

service through a humorous, self-deprecating video from its founder (<https://www.youtube.com/watch?v=ZUG9qYTJMsI>). If buzz around an online campaign orchestrated through online PR is successful, then additional reach and impact may also be generated by traditional media such as TV, print and radio.

- **Cost.** The costs for online PR are the agency or internal staff fees for developing the online PR plan, concepts and content. Since there are no media placement costs, this can be cost-effective.
- **Credibility.** Comments that are made by a person independent from a company are considered more authentic and so can help raise trust about an online provider such as a retailer. You can see that personal recommendations are particularly important and seem to be trusted more than content sites giving reviews and opinions (although these are still given credence by many web users).
- **Search engine optimisation.** Online can help generate backlinks to a site that are favourable for SEO, often from large sites such as online newspapers or magazines that have good link equity.
- **Brand-enhancement and protection.** Favourable stories can enhance the reputation of a brand among its target audience and amplification through influencers can help reach a new audience. But since unfavourable media mentions may damage a brand, so monitoring and response to these is a necessity for most brands.

Disadvantages of online public relations

The main disadvantage of online PR is that it is not a controlled discipline like online advertising techniques such as pay-per-click marketing or display advertising, where the returns generated will be known for a given expenditure. In other words, it could be considered a high-risk investment.

Many marketers are also wary of creating blogs or forums on their sites that may solicit negative comments. However, there are counter-arguments to this, namely that it is best to control and be involved with conversations about a brand on the site rather than when it is less controlled on third-party sites. For example, brands such as Dell (www.ideastorm.com) and Honda enable web users to make comments about their brands; this shows they are listening to customer comments and gain valuable sentiment that can feed into new product development ideas.

Best practice for online public relations and IRM

In this section we will review the different types of online PR activities and techniques to improve results from these activities. Onalytica (2017) have created this useful framework (Table 9.4), which suggests how you can measure your influencer program at a top level. It is effectively an ‘influencer pipeline’, where the top of the funnel is on the left and specific activity to outreach to and engage influencers is measured to the right. At a program level, a number of invited influencers are compared against influencers who have accepted and are active and what they have shared. This can be measured through social media updates or, ideally, in B2B articles and blog posts on their sites. The activity of an IRM program is also indicated by influencer involvement in online and real-world attendance. If a business has multiple sectors and audiences that will require different specialist influencers, then you may need different measures for different sectors for each row. This is alluded to in the employee advocate recruitment row, where different subject matter experts in the company will recruit different influencers. As an example of how different influencers can be managed and measured separately, at Smart Insights we use the IRM tool Buzzstream to have a list of influencers tagged for each digital marketing activity, e.g. digital strategy, SEO, email marketing, e-commerce, etc. Influencers are tagged by activity and their influence level. Custom-shortened links from a service such as Bitly (<http://bitly.com>) for each influencer can be used with different Google Analytics campaign tracking parameters.

Table 9.4 Measures for assessing an influencer relationship management program (IRM)

INPUTS		OUTPUTS		OUTCOMES			
ACTIVITY		ACTIVATED		ADVOCACY		ACTION	
Program	Number of influencers invited to your influencer program	Program influencers	Number of influencers who have accepted your program invitation	Brand attention	Volume of target influencer posts talking about your brand, sub-brands or products compared to competitors'	Brand awareness	Volume of influencer posts from wider influencer community/ media talking about your brand, sub-brands or products compared to competitors'
Social influencer outreach	Number of offline & social outreach posts to target influencers	Event influencer attendance	Number of influencers attending your events (offline/ online)	Brand association	Volume of target influencer posts about your brand or products in association with key themes, product/ solution categories or reputation drivers compared to competitors	Brand perception	Change in semantic language from wider influencer community/ media around a brand, product, policy or reputational issue
Event invites	Number of events (offline/online) organised where influencers are invited to participate	Brand influencer engagement	Number of influencers engaging with your brand, internal SMEs, advocates or evangelists (offline/ online) compared to competitors	Influencer generated content	Volume of content created in collaboration with target influencers on key topics or themes	Lead gen	Volume of site traffic/ downloads/subscriptions/user adoption through influencer referral traffic (unique content URLs)
Employee advocate recruitment	Number of internal subject matter experts, advocates or evangelists recruited to influence the influencers	Influencer	Number of influencer relationships you have developed	Brand preference	Volume of target influencer posts talking positively about or recommending your brand, sub-brands or products compared to competitors	Sales revenue	% of influencer referral site traffic/total site traffic multiplied by conversion revenue OR number of sales through unique coupon code/landing page used only for program
INFLUENCER PIPELINE							
IDENTIFIED		ENGAGED		ADVOCATE			

Source: Analytica

Segmenting influencers

Influencers come in many ‘shapes and sizes’, and some are potentially more influential than others. Through defining criteria for influence and grouping similar types of influencers, businesses can prioritise their use of resources for managing. Onalytica (2017) defines these types:

- **Everyday influencers.** Typical web and social media users who don’t consider themselves influencers, but can influence friends and colleagues.
- **Brand advocates.** A customer that is highly satisfied with your product/brand, who tends to spread positive word of mouth, content and recommendations without being paid to do so.
- **Micro-influencers.** Have a relatively low reach but are highly relevant, tend to enjoy high engagement rates and create high-quality content on a blog or social media.

Example: Sharon, 21 years old, fashion student. 2,000 followers on Instagram. She loves her camera and creates great content, but she likes the perks of being able to work with brands to create content and earning money in the process. *Example B:* Mike, 30 years old, 10,000 followers on Twitter. He is passionate about the environment, creates great content on his blog, generates high levels of engagement on social and is very well connected to industry experts and fellow influencers.

- **Professional influencers.** These influencers have sufficient reach and potential impact that they are paid, or their content supports their business or personal aims. They typically get referenced by their peer influencers as the authority on certain topics or product categories:

Example A: Dave, 40 years old, FinTech expert, 60,000 followers on Twitter. He has written a book, speaks at events across North America, Europe and Asia and consults with brands to help deliver innovation to the financial industry. *Example:* Claire, 45 years old, parent and lifestyle blogger, 80,000 followers on Instagram and/or Twitter and has a blog with 1.5 million views per year. She is well known and very influential within the parent forums and community globally and

focuses on health and wellbeing as well as promoting products for babies and young children.

- **Macro-influencers.** This type of influencer is more established, both in personality and content, and their fame has risen to a level where they are now represented by a manager or a talent agency:

Example: Joe has been creating video game YouTube videos since 2012 – has been working steadily with brands for the past few years, has an established audience of 200,000 subscribers and has been approached by talent agencies to help him grow as an influencer.

- **Celebrity influencers.** Also represented by a manager or talent agency, they are perceived as inspiring and consumers often look to celebrity influencers for guidance and inspiration. They are often expensive, you pay a premium for this type of influencer, and engagement rates are significantly lower than those with fewer followers.

Example: Kim Kardashian.

Assessing influence

Assessing the relative value of different influencers is challenging. It's common to start with the size of reach – for example, the number of Twitter followers, but this can be dangerous. Some Twitter users grew their followers rapidly through 'autofollow' bots before Twitter prevented this. You can see this phenomenon with a free tool like Followerwonk (www.moz.com/followerwonk) in place, where the top users are following hundreds of thousands of users. They have clearly not done this manually.

The following 4Rs framework for assessing influencer popularity recommended by Analytica (2017) doesn't start with reach, instead it starts with other factors:

- **High relevance** is where influencers are focused/known for discussing a topic that is of interest to an audience and related to a product or service.
- **High resonance** demonstrates that the influencer is creating an impact with their audience, rather than having a large audience that they fail to engage.
- **High reference** is useful for identifying thought leaders or conference speakers who are respected as an authority by their peer influencer's. This

can emphasise the network effective as their connections may share content.

- **High reach** is simply the size of an influencer’s audience and their popularity.

Creating effective content to support influencer outreach

Ultimately, particularly for using influencers in B2B marketing, defining the right types of content for them to create, discuss and share is critical to success. Influencers will be more passionate about a brand and more likely to share content and product recommendations if it is of a high quality. Defining a content marketing strategy is outside the scope of this chapter and we referenced it in [Chapter 8](#).

Blogs and blogging

Blogs give an effective method for companies to regularly publish articles, images and video to engage their prospects, customers and influencers. Feedback and link trackback comments from other sites are sometimes incorporated, but have become less common due to ‘spamming’ of comments for purposes of SEO, even though they typically have little influence on organic search, because search engines such as Google ignore them.

Blog

An online diary or news source prepared by an individual or a group of people. Derived from ‘web log’. Business blogs are created by an organisation for communication with their audiences.

There are many free services that enable anyone to blog (for example www.wordpress.com and www.blogger.com). The blogging format enables the content on a website to be delivered in different ways. For example, the Smart Insights blog has a lot of rich content related to digital marketing, which can be accessed in different ways:

- **By topic** (in categories or topics to browse). For example, social media marketing category ([Figure 9.8](#)).
- **By tag** (more detailed topics – each article will be tagged with several tags to help them appear in searches). For example, ‘B2B’ or ‘case studies’.
- **By author** (features from different columnists who can be internal or external). Guest posting is an effective method for both guest author and

blog to increase reach.

- **By time** (all posts broken down by the different methods above are in reverse date order).

Through considering how the site is structured and following best practices for SEO, even a niche marketing blog such as Smart Insights can attract millions of visitors each quarter, the majority (75 per cent) through organic.

Although some forecast that blogs would become less important with the publishing of content on social networks, they remain important in many business and consumer sectors since they enable a more in-depth exploration of interest in topics, and many influencers have their own blog.

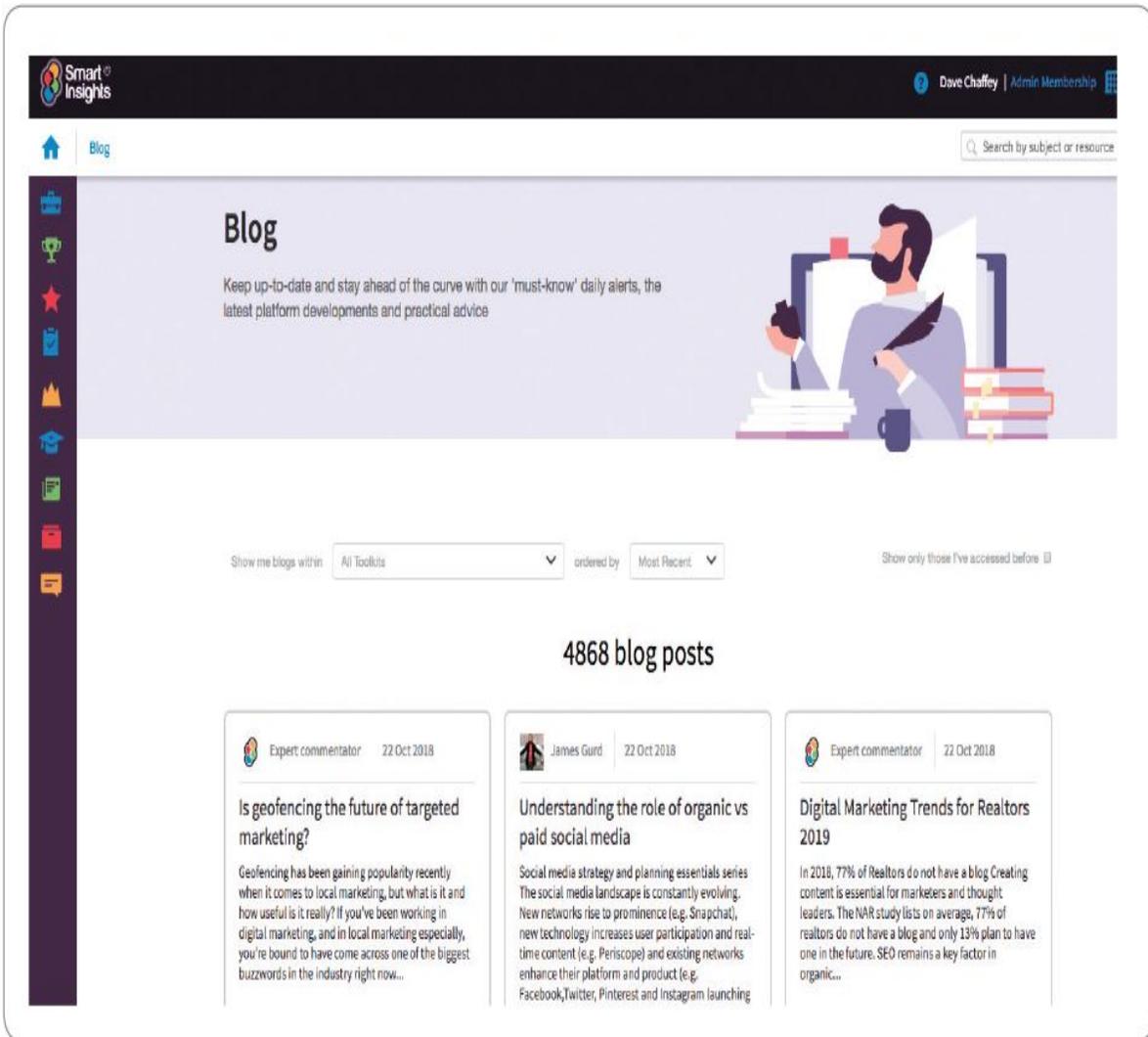
Podcasts are related to blogs since they can potentially be generated by individuals or media organisations to voice an opinion either as audio (typically MP3) or video (video podcasts used by video bloggers or vloggers). Video-sharing sites include YouTube, VideoEgg and Daily Motion™.

Podcast

Individuals and organisations post online media (audio and video) that can be viewed in the appropriate players including the iPod, which first sparked the growth in this technique.

Another way of sharing content important in professional B2B markets is through slide-sharing sites such as Scribd and SlideShare.net.

Figure 9.8 Smart Insights blog (www.smartinsights.com) showing content available from within a category of ‘social media marketing’



Really Simple Syndication feeds

Really Simple Syndication (RSS) is closely related to blogging, where blog, news or any type of content such as a new podcast is received by subscribers using a feed reader such as Feedly™ (<http://www.feedly.com>). Although typically limited to business professionals and journalists, they offer a method of receiving multiple news sources in a feed that uses a different broadcast method from email, so is not subject to the same conflicts with spam or spam filters. Unlike social media, all updates are displayed rather than some. Many journalists now subscribe to RSS feeds and access them through feed readers such as Feedly, which can also be used by marketers for competitor review.

Really Simple Syndication feed (RSS)

Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader software services. Now typically shortened to 'feed', e.g. news feed or sports feed.

Historically, journalists could be influenced online through a press-release area or social media newsroom on the website; creating email alerts, social media or RSS updates about news that journalists and other third parties can sign up to; news stories or releases submitted to online news feeds. Examples of feeds include PR Newswire™ (www.prnewswire.com), PressBox™ (www.pressbox.co.uk), PRWeb™ (www.prweb.com) and Business Wire™ (www.businesswire.com). Press releases can also be written for search engine optimisation (SEO) since they will link back to the site, although most links to sites are now nofollowed, which, as explained in the earlier section on SEO, don't confer direct SEO benefits.

However, an increasing number of journalists now rely on blogs and feeds for finding sources for stories rather than traditional press releases, so engaging influencers through IRM is now more important given the limited impact of press releases. Charles Arthur (<https://www.theguardian.com/profile/charlesarthur>), a contributor to *The Guardian*, in a posting 'Why I'm not reading PR emails to get news stories any more', says:

I'm not going to read things that are obviously press releases because the possibility of it just being annoying or irrelevant is too great; I'm going to go to my aggregator instead, because I've chosen every feed there for its potential interest. I pay more attention to my RSS feeds because they're sources I've chosen, rather than the emails I get from PR companies.

Mashups

Mashups (a term originally referring to the pop music practice, notably hip-hop, of producing a new song by mixing two or more existing pieces) are sites or widgets that combine the content or functionality of one website with another to create something offering a different type of value to web users from the other types of content or functionality. In practice they provide a way of sharing content between sites and stitching together sites through exchanging data in common XML-based standards such as RSS or APIs. For example, some blogs include widgets showing their latest updates from Facebook and Twitter.

Mashups

Websites, pages or widgets that combine the content or functionality of one website or data source with another to create something offering a different type of value to web users from the separate types of content or functionality.

Online partnerships including affiliate marketing

We showed in [Chapter 5](#) that partnerships are an important part of today's marketing mix. We have also seen in this chapter that working with partner sites in influencer outreach is a key part of content marketing, SEO and online PR. Resources must be devoted to managing your online partners. Many large organisations have specific staff to manage these relationships. In smaller organisations partnership management is often neglected, which is a missed opportunity. There are three key types of online partnerships that need to be managed: co-marketing and influencer outreach (covered in the previous section); affiliate marketing; and online sponsorship. The main and most important form of partnership marketing for transactional e-commerce sites that we review in this section is affiliate marketing. We explained at the start of [Chapter 5](#) that co-marketing involves a formal or informal partnership agreement reached between different businesses to promote each other, typically based on sharing content (and potentially promotions) principally to the audience of owned media channels such as social media, blog and email marketing. Co-marketing, also known as 'contra-deals', has the advantage that it is low-cost, since the main cost is staff time to develop joint campaigns and share content.

Affiliate marketing

Affiliate marketing divides marketers and agencies as to its value. The discussion revolves around the value of affiliate marketing in generating incremental sales. There is no doubt that affiliates can generate more sales at a controlled cost, the question is whether these sales would have occurred anyway if a brand is well known. For example, Amazon has an affiliate programme but it could be argued that its brand is so well known and it has such a large customer base that it would receive many sales anyway. However, Amazon has run its programme for over ten years and, although it has reduced commissions, it is still running and is used to promote new product offerings such as music downloads.

What is affiliate marketing?

Affiliate marketing is the ultimate form of marketing communications since it is what is known as a ‘pay-per-performance marketing’ method and it’s a commission-based arrangement where the merchant only pays when they make the sale or get a lead. Compare this to the wastage with traditional advertising or direct mail! It can also drive a volume of business in a range of sectors – many banks, travel companies and online retailers get more than 10 per cent of their sales from a well-run affiliate marketing programme. It’s not so suitable though for business products or lower-priced consumer products since it will not be sufficiently profitable for the affiliates, and it may be difficult to recruit sufficient affiliates. Increasingly, affiliate marketing is known as **performance marketing (PM)**. The Performance Marketing Association (PMA) describes performance marketing as a:

comprehensive term that refers to online marketing and advertising programs in which advertisers (a.k.a., ‘retailers’ or ‘merchants’) and marketing companies (a.k.a, ‘affiliates’ or ‘publishers’) are paid when a specific action is completed; such as a sale, lead or click.

Affiliate marketing

A commission-based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers or other transactional sites). Commission is usually based on a percentage of product sale price or a fixed amount for each sale (CPA or cost per acquisition), but may also sometimes be based on a per-click basis, for example when an aggregator refers visits to merchants.

Performance marketing

Sometimes used as an alternative term for affiliate marketing, which includes payment for lead, sale, but also click, so it is a broader term including other online paid media such as display advertising and biddable media including pay-per-click and programmatic advertising.

You can see from this definition that performance marketing is similar to affiliate marketing, but it is expanding in scope to include paid media such as pay-per-click advertising, which includes display advertising, programmatic advertising and Google Ads. This reflects the way that paid media is organised in some larger organisations with some people who are responsible for all these types of paid media.

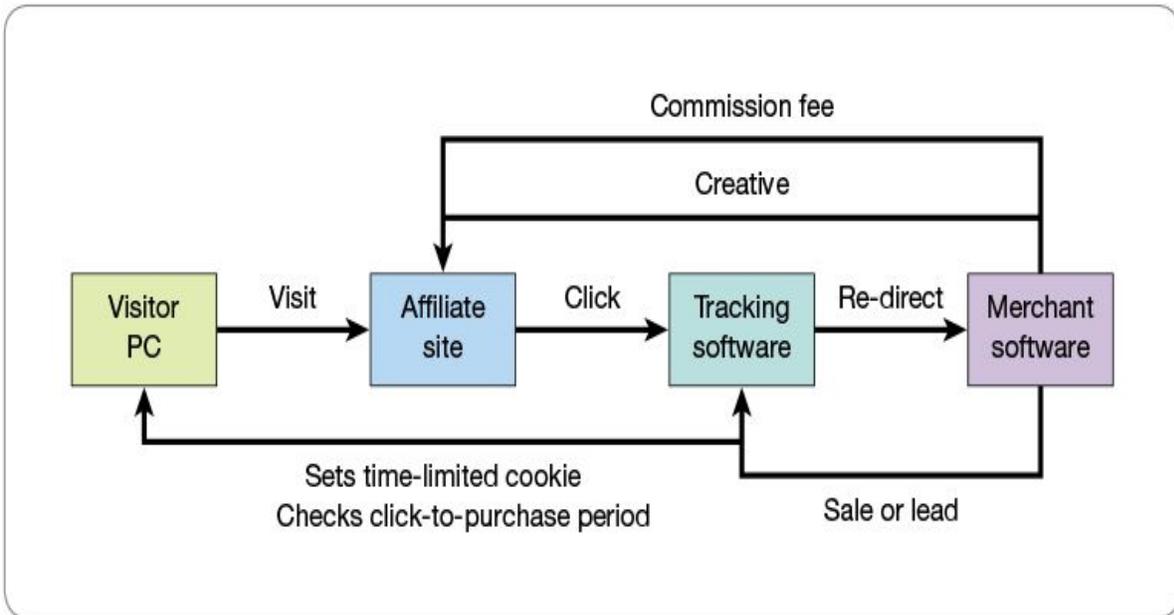
Figure 9.9 summarises the affiliate marketing process. You can see that when a visitor to an affiliate site (who may be an online publisher or aggregator) clicks-

through to a merchant site, this prospect will be tracked through a cookie placed on the visitor's PC. If the prospect later transacts within an agreed period, usually 1, 7, 30, 60 or 90 days, the affiliate will be credited with the sale through an agreed amount (percentage of sale or fixed amount).

Digital marketers need to be selective in choosing the right forms of affiliate marketing, and not all may be desirable. These are the options of affiliate marketing models for you to consider.

- **Aggregators.** These are the major comparison sites, such as Kelkoo, uSwitch™ and Moneysupermarket. These aren't strictly affiliates since some, such as Kelkoo and Shopzilla™, charge on a cost-per-click basis, but USwitch and Moneysupermarket have a CPA model as well. Google Product Listing Ads (PLA) (formerly Froogle, now part of Google Ads) uses a CPC model.
- **Review sites.** For example, CNet software or hardware reviews, or maybe startups such as Reevoo™ or Review Centre™. These all link to merchants based on cost-per-click or cost-per-acquisition deals.
- **Rewards sites.** These split the commission between the reward site and its visitors. Examples are GreasyPalm™ or QuidCo™.
- **Voucher code sites.** MyVoucherCodes or Hot UK Deals are typical. If you have some great deals to entice first-time shoppers you should generate business, although many search by well-known brand.
- **Über-bloggers.** Martin Lewis's MoneySavingExpert.com™ is an incredibly popular site due to his PR efforts and great content. Although he has no ads, he is an affiliate for many sites he recommends.
- **Everyone else.** They don't tend to be high-volume super-affiliates like all the above, but they're collectively important and you can work with them via affiliate networks such as Commission Junction™ or Tradedoubler™. They often specialise in SEO or PPC.

Figure 9.9 The affiliate marketing model (note that the tracking software and fee payment may be managed through an independent affiliate network manager)



Advantages and disadvantages of affiliate marketing

Advantages of affiliate marketing

Many of the benefits of affiliate marketing are closely related to search engine marketing since affiliates are often expert at deploying SEO or PPC to gain visibility in the search results pages. The main benefits of affiliate marketing are:

- **SERPs visibility.** Gain more visibility in the paid and natural listings of the SERPs (increase ‘share of search’ page).
- **Reach different audiences.** Can use different affiliates to target different audiences, product categories and related phrases.
- **Responsiveness to marketplace changes.** Affiliates may be more responsive than your in-house or agency teams in terms of algorithm changes for SEO or changes in bidding approaches for PPC. They are also great at identifying gaps in your search strategy. For example, they may be quicker at advertising on new products, or may use keyphrase variants that you haven’t considered.
- **Target generic phrases in SERPs.** Enables you to reach customers through generic phrases (e.g. ‘clothing’) at a relatively low cost if the affiliates secure better positions in natural listings.
- **Increase reach in SERPs.** Increase the reach of your brand or campaign since affiliate ads and links featuring you will be displayed on third-party sites.

- **Generate awareness.** Can be used to generate awareness of brand or new products for which a company is not well known.
- **Diversity risk.** Use of affiliates reduces the risk caused by temporary or more fundamental problems with your SEM management or other digital marketing programmes.
- **Pay-per-performance.** The costs of acquisition can be controlled well.

Disadvantages of affiliate marketing

But there can be substantial drawbacks to an affiliate marketing programme that arise from the fact that your affiliates are mainly motivated by money. It follows that some of them may use unethical techniques to increase their revenue.

Potential disadvantages are:

- **Incremental profit or sales may be limited.** You may be cannibalising business you would have achieved anyway.
- **Affiliates may exploit your brand name.** This is particularly the case where affiliates exploit brand names by bidding on variations of it (for example 'Dell', 'Dell Computers' or 'Dell laptop') or by gaining a presence in the natural listings. Here there is already awareness. It is important to prevent this, and many affiliate programmes exclude brand bidding, although affiliates can have a role in displacing competitors from the listings for brand terms.
- **May damage brand reputation.** Your ads may be displayed on sites inconsistent with your brand image, such as gambling or pornography sites. Alternatively, creative may be out of date, which could be illegal.
- **Programme management fees.** If using an affiliate network to manage your campaigns they may take up to 30 per cent of each agreed affiliate commission as additional 'network override'.
- **Programme management time.** Affiliate marketing is founded on forming and maintaining good relationships. This cannot be done through the agency alone and marketers within a company need to speak to their top affiliates.

Best practice in planning and managing affiliate marketing

In this section we will review how affiliate networks can be used to improve the results from affiliate marketing and the main controls on affiliate marketing, i.e.

commission, cookie periods and creative. It is important that these parameters are clearly defined in the affiliate agreement to reduce the likelihood of abuse.

Affiliate networks

To manage the process of finding affiliates, updating product information, tracking clicks and making payments, many companies use an **affiliate network** or affiliate manager such as the US/European networks Commission Junction™ (www.cj.com), Link Share™ (www.linkshare.com) or Trade Doubler™ (www.tradedoubler.com, mainly European). Since the affiliate network takes a cut on each sale, many merchants also try to set up separate relationships with preferred affiliates, often known as ‘super-affiliates’.

Affiliate network

Third-party brokers also known as affiliate managers who manage recruitment of affiliates and infrastructure to manage a merchant’s affiliate programme in the form of links, tracking and payment of a range of affiliates.

Since many of the important affiliates are members of more than one affiliate network programme, it is usually found that it is not worthwhile for a merchant to join more than two affiliate networks. They also need to be careful that several affiliates are not credited for multiple sales since this quickly becomes unprofitable for the merchant.

Commission

In affiliate marketing, it is vital that commission is set at such a level that it incentivises affiliates to preferentially promote a merchant’s products, while at the same time being profitable.

The affiliates or publishers are naturally obsessive about their **earnings per click (EPC)**. This is average earnings per click and is usually measured across 100 clicks.

Earnings per click (EPC)

A relative measure of the effectiveness of a site or section of a site in generating revenue for the site owner through affiliate marketing for every 100 outbound clicks generated.

EPC is a crucial measure in affiliate marketing since an affiliate will compare merchants on this basis and then usually decide to promote those with the highest EPC, which will be based on the commission levels and the conversion rates to sale for different merchants.

A merchant will set commission levels according to a product's awareness level within a merchant's portfolio of products or how much they feel they need to promote them. It will also be worth increasing commissions when there is a favourable promotion on a product since affiliates will then promote it, knowing that their EPC is more likely to increase. Less well-known products or newly launched products will often have more favourable commissions. For example at the time of writing, [Tesco.com](https://www.tesco.com) used affiliates for different products with different commission as follows:

- e-diets commission from £12 on 1–9 sales to £20 on 61+ sales;
- wine at 2 per cent on lowest tier to 3 per cent on the Gold tier of sales of >£2,500;
- grocery and utilities – flat fee of £5 for first-time purchase only.

Cookie expiry period

Affiliates' EPC will also depend on the cookie expiry period agreed on the time between a visitor clicking on the affiliate link and the sale being accredited to the affiliate. Common times are 7, 30 or 90 days. A longer cookie period will result in a higher EPC. Prussakov (2011a) recommends that 60 to 90 days is often best to incentivise affiliates in competitive markets with a longer decision-making period. Merchants don't typically want to pay multiple affiliates for a single sale. Instead, it is usually the last referring affiliate that is credited, or a mix between the first and last. So a good tracking system is required to resolve this. Prussakov (2011b) argues that the majority purchase within a shorter period of within a few days, so a longer period gives a better incentive without adversely affecting profitability.

Creative and links

Managing the creative that affiliates use to promote a merchant is a challenge since creative needs to be up to date in line with different promotions or it may be misleading, or even illegal. So this needs to be monitored by the affiliate manager. Many merchants now provide live product feeds to affiliate networks in order to keep their promotions and product pricing up to date.

There are risks of brand damage through affiliates displaying creative on content that a merchant might feel was not complementary to their brand (for example, a gambling site). This needs to be specified in the affiliate agreement – sites need to be reviewed carefully before affiliates are permitted to join a

specific programme, and additional sites used by each affiliate should be monitored.

Another form of brand or trademark abuse is when an affiliate bids on a merchant's brand name such that they may receive credit for a sale when a prospect was already aware of the merchant (as explained in [Chapter 3](#) in the legal section). The limits of this should also be specified within the affiliate agreements and monitored carefully.

Online sponsorship

Online sponsorship is not straightforward. It's not just a case of mirroring existing 'real-world' sponsorship arrangements in the 'virtual world', although this is a valid option. There are many additional opportunities for sponsorship online that can be sought out, even if you don't have a big budget at your disposal.

Ryan and Whiteman (2000) define online sponsorship as:

the linking of a brand with related content or context for the purpose of creating brand awareness and strengthening brand appeal in a form that is clearly distinguishable from a banner, button or other standardised ad unit.

For the advertiser, online sponsorship has the benefit that their name is associated with an online brand that the site visitor is already familiar with. So, for users of a publisher's site, with which they are familiar, sponsorship builds on this existing relationship and trust.

Paid-for sponsorship of another site, or part of it, especially a portal, for an extended period is another way to develop permanent links. **Co-branding** is a lower-cost method of sponsorship and can exploit synergies between different companies. Note that sponsorship does not have to directly drive visitors to a brand site – it may be more effective if interaction occurs on the media owner's microsite.

Co-branding

An arrangement between two or more companies that agree to jointly display content and perform joint promotion using brand logos, email marketing or banner advertisements. The aim is that the brands are strengthened if they are seen as complementary. Co-branding is often a reciprocal arrangement, which can occur without payment as part of a wider agreement between partners.

A great business-to-business example of online sponsorship is offered by WebTrends, which sponsors the customer information channel on ClickZ.com (www.clickz.com/experts). It combined this sponsorship with different ads each month, offering e-marketers the chance to learn about different topics such as search marketing, retention and conversion marketing through detailed whitepapers and a 'Take 10' online video presentation by industry experts that could be downloaded by registered users. The objective of these ads was to encourage prospects to subscribe to the WebTrendsWebResults e-newsletter and to assess purchase intent at sign-up, enabling follow-up telemarketing by regional distributors. WebTrends reported the following results over a single year of sponsorship:

- list built to 100,000 WebResults total subscribers;
- 18,000 Take 10 presentations;
- 13,500 seminar attendees.

Co-branding and contra-deals

Co-branding of sites or emails are closely related to online sponsorship. These **contra-deals**, as they are sometimes referred to, typically occur where there is an association between two brands and they are complementary but not competitive.

Contra-deals

A reciprocal agreement in the form of an exchange where payment doesn't take place. Instead services or ad space to promote another company as part of co-branding occurs.

For example, one online publisher may offer subscribers the chance to sign up with newsletters from another company, a process known as 'co-registration'.

Co-branding can be a cost-effective form of online marketing, but specific resources such as 'online partnership manager' have to be put in place to set up and manage the relationships between partners. This will often be part of an affiliate manager's role.

Interactive display advertising

What is display advertising?

Display advertising involves an advertiser paying for an advertising placement on third-party sites such as publishers or social networks. The process usually involves **ad serving** from a different server from that on which the page is hosted (ads can be served on destination sites in a similar way). Ad serving uses a specialist piece of software, possibly mounted on an independent server such as Doubleclick (now owned by Google). In 2008, Google launched its free ad manager service (www.google.com/admanager) to help site owners sell, schedule, optimise revenue, serve ads and measure directly sold and network-based inventory.

Display advertising

Display ads are paid ad placements using graphical or rich media ad units within a web page to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to interact or rollover to play videos, complete an online form or to view more details by clicking through to a site.

Ad serving

The term for displaying an advertisement on a website. Often the advertisement will be served from a web server different from the site on which it is placed.

Advertising is used on a range of sites in order to drive traffic to an organisation's **destination site**, or alternatively a **microsite** or nested ad content on the media owner's site or on the destination site. The destination page from a banner ad will usually be designed as a specifically created direct-response page to encourage further action. For example, the nappy supplier Huggies™ placed an advertisement on a childcare site that led the parents clicking on this link to more detailed information on Huggies contained on the site and encouraged them to opt in to a loyalty programme.

Destination site

The site reached on click-through.

Microsite

A small-scale destination site reached on click-through that is part of the media owner's site.

Display advertising is still colloquially known as banner advertising, but practitioners such as the trade body the Internet Advertising Bureau (www.iab.net and www.iabuk.net) and media owners such as publishers, advertisers and their agencies now commonly refer to ‘display advertising’. This reflects the increasing range of ad formats we will discuss below.

Purchasing ad placements

When media is purchased, it is either purchased on a specific site such as *The Times* or *New York Times*, or it is purchased across several sites, which are known as an ad network.

Display advertising is purchased for a specific period. It may be purchased for the ad to be served on:

- the **run-of-site** (the entire site);
- a section of site;
- according to keywords entered on a search engine.

Run-of-site

Cost per 1,000 ad impressions. CPM is usually higher for run-of site advertisements where advertisements occur on all pages of the site.

Traditionally, the most common payment is according to the number of customers who view the page as a cost-per-thousand (CPM) ad or page impressions. Typical CPM is in the range £10–30. Other options that benefit the advertiser if they can be agreed are per click-through or per action, such as a purchase on the destination site. Although initially media owners were able to control charging rates and largely used a per-exposure model, with the increase in unused ad inventory there has been an increase in **results-based payment** methods, particularly within ad networks.

Results-based payment

Advertisers pay according to the number of times the ad is clicked on.

Programmatic ad buying

The options for purchasing and managing display advertising are now much more complex, as suggested by the summary in [Figure 9.10](#) of the ad buying

ecosystem created by the IAB.

A major change in online advertising is through the use of new **programmatic ad buying** techniques, based on **Demand Side Platforms (DSPs)**, which use an approach called **real-time bidding (RTB)**. Programmatic ads now account for the majority of online display advertising by large companies. Traditionally, display ads have been *served to target audiences* based on the demographics of the visitors to different publishers or the content on specific sections of those sites. Impressions were purchased in units of thousands from sites that were felt to be a good fit. Programmatic enables purchase of ads served to individuals based on a wide range of information known about individuals and, in particular, content they have previously interacted with. When a page is loaded on a publisher site by an individual, different businesses have the option to bid in an auction (lasting around 0.1 of a second) whether they want to reach this individual using different ad containers or placements on the page. The purpose of this is to exploit efficiencies through using technology to automatically bid on the most cost-effective ad inventory in an auction. Since individuals are tracked across different sites, these individuals can be targeted according to their interests shown by content viewed, products purchased and profile information. This knowledge of an individual is based on cookies and digital fingerprints used to identify the individual, as discussed in **Chapter 3**, which act as an identifier linking this individual to information on other sites. There are privacy implications, which is one reason for the increase in ad blockers. View the tutorials from the Real-time Advertising Academy (<http://rtaacademy.com/>) to understand the principles of programmatic in detail.

Programmatic ad buying

Describes the purchase of online display advertising that is aggregated, booked, flighted, analysed and optimised via demand-side software interfaces and algorithms. It includes RTB and also non-RTB methods and buy types such as Facebook Ads API and the Google Display Network.

Demand Side Platforms (DSPs)

A service that enables ads to be managed across multiple ad networks and ad exchanges through a single interface designed for managing reporting and performance.

Real-time bidding (RTB)

medium focused on generating a response. Cartellieri *et al.* (1997) refer to a wider range of goals for online campaigns, including:

- **Delivering content.** This is the typical case where a click-through on a banner advertisement leads to a destination site giving more detailed information on an offer. This is where a direct response is sought. Today ads often embed videos or whitepapers to deliver content directly within the ad.
- **Enabling transaction.** If a click-through leads to a merchant such as a travel site or an online bookstore this may lead directly to a sale. A direct response is also sought here.
- **Shaping attitudes.** An advertisement that is consistent with a company brand can help build brand awareness.
- **Soliciting response.** An advertisement may be intended to identify new leads or as a start for two-way communication. In these cases an interactive advertisement may encourage a user to type in an email address or other information.
- **Encouraging retention.** The advertisement may be placed as a reminder about the company and its service and may link through to on-site sales promotions such as a prize draw.

These objectives are not mutually exclusive, and more than one can be achieved with a well-designed ad campaign.

Advantages of online advertising

- **Reach to drive awareness.** Ads enable companies to reach and influence consumers and business people as they use publisher sites and social networks. The visual imagery of a display ad can generate awareness about a brand, product or need. At the end of [Chapter 8](#) we explained how **XMOS (cross-media optimisation studies)** showed that display ads are useful for reaching audiences whose consumption of traditional media has decreased. With the growth of Facebook and Instagram, which both have ad programmes, Facebook has become one of the largest media companies. In November 2017 its quarterly ad revenue passed \$10 billion for the first time.
- **Direct response.** Display advertising can generate an immediate direct response via click-through to a website, enabling transaction for retail products, for example.

- **Retargeting.** As well as raising initial awareness, ads have an important role in reminding people who have already interacted with a brand to nudge them along the path to purchase, as shown in [Figure 1.1](#). Retargeted ads are available through the Google Display Network, which covers many publisher sites, and also on social networks including Facebook, LinkedIn and Twitter.
- **Advertising now available for smaller advertisers.** Previously, ad buying online was limited to larger advertisers. But now a small business can purchase a small-scale, highly targeted ad campaign for a few dollars using the Google Display Network options in Google Ads or the advertising programmes available on the social networks such as Facebook, Twitter or LinkedIn. They can now use self-service tools such as AdRoll™ (www.adroll.com) to retarget across all of these to boost conversion.
- **Indirect response.** We will see in the section on the disadvantages of display advertising that click-throughs are so low that it suggests display advertising is not worthwhile. However, the indirect response should not be underestimated. This is where viewers of an ad later visit a website or search on the brand or category. Research by OPA Europe (2010) showed that for members' sites, one-third exposed to display advertising conducted searches for the advertised brands while 42 per cent visited advertised brand sites. Note that these results are for well-known brands and control figures were not presented to show the uplift compared to those not exposed.
- **Media-multiplier or halo effect.** Repeated exposure to ads online, particularly in association with other media, can increase brand awareness and ultimately purchase intent. Furthermore, practitioners report a **media-multiplier or halo effect** of buying online ads, which can help increase the response rates from other online media. For example, if a web user has been exposed to banner ads, this may increase their response to paid search ads and may also increase their likelihood of converting on a site since brand awareness and trust may be higher. Attribution modelling, which we introduced in [Chapter 8](#), can help determine the contribution of display ads, as shown in [Digital marketing insight 9.2](#).

XMOS (cross-media optimisation studies)

Research designed to help marketers and their agencies answer the question 'What is the optimal mix of advertising vehicles across different media, in terms of frequency, reach and budget allocation, for a given campaign to achieve its marketing goals?' The mix between

online and offline spend is varied to maximise campaign metrics such as reach, brand awareness and purchase intent.

Media-multiplier or halo effect

The role of one media channel in influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer.

This is suggested by research reported by MAD™ (2007) in the travel market, which involved asking respondents what their response to an online ad that appealed to them would be. Surely it would be a click? In fact the results broke down as follows:

- search for a general term relating to the advertisement (31 per cent);
- go straight to advertiser's site (29 per cent);
- search for the advertiser's name (26 per cent);
- click on banner to respond (26 per cent);
- visit a retail store (4 per cent).

Of course, this methodology shows us reported behaviour rather than actual behaviour, but it is still significant that more than twice as many people are being driven to a search engine by banner advertising than by clicking directly on the banner! The research concludes that paid search marketing needs to be optimised to work with banner advertising, by anticipating searches that are likely to be prompted by the banner and ensuring a higher rank for search results. For example, a brand featuring a Cyprus holiday offer will generate generic search terms such as 'package holiday Cyprus' rather than brand searches.

Abraham (2008) has also shown that online ads can stimulate offline sales. For one retailer with a turnover of \$15 billion, research showed that over a three-month period, sales increased (compared to a control group) by 40 per cent online and by 50 per cent offline among people exposed to an online search – and display – ad campaign promoting the entire company. Because its baseline sales volumes are greater in physical stores than on the Internet, this retailer derived a great deal more revenue benefit offline than the percentages suggest.

- **Achieving brand interactions.** Many modern display ads comprise two parts – an initial visual encouraging interaction through a rollover and then another visual or application encouraging interaction with a brand. This enables advertisers to calculate an interaction rate (IR) to assess the extent to which viewers interact with a brand ad.
- **Targeting.** Media buyers can select the right site or channel within a site to reach the audience (e.g. a specialist online car magazine or review site or the motoring channel within an online newspaper or TV channel site). Audiences can also be targeted via their profile through serving personalised ads, or ads in emails if visitors have registered on a site. Behavioural re-targeting options are used in an ad network to preferentially serve an ad to someone who seems to have an interest in a topic from the content they consume. Effectively the ad follows the viewer around the site. For example, if someone visits the car section of a site, then the ad is served to them when they view other sections of the site. Re-targeting can work across an ad network too and can even be sequential, where the messages are varied for an individual the more times they are exposed to the ad. Search re-targeting offers the option to display an ad after a visitor has searched on a particular term, such as a car marque. Tracking of individuals is achieved through use of cookies.
- **Cost.** There are opportunities to buy online media at a cheaper rate compared to traditional media, although this is less true in focused, competitive markets such as financial services, where there is limited premium inventory for media buyers to purchase. Programmatic advertising and ad networks give advertisers the options of advertising across a network of sites to reach a particular demographic, e.g. female 18–25 with specific interests, but at a lower cost than media buys on a specific site since the actual site used for the ad placement isn't known (hence these are sometimes known as '*blind network buys*'). Lower CPMs are achievable, and in some cases CPC or CPA payment options are available. Site owners such as publishers use ad networks since it gives them a method of gaining fees from unused ad inventory that has not sold at premium rates.
- **Dynamic updates to ad campaigns.** In comparison with traditional media, where media placements have to be bought weeks or months in advance, online ads are more flexible since it is possible to place an advertisement more rapidly and make changes during the campaign. Experienced online advertisers build in flexibility to change targeting through time. Best practice is to start wide and then narrow to a focus –

allow 20 per cent of the budget for high-performing ad placements (high CTR and conversion).

In an iMediaConnection (2003) interview with ING Direct VP of marketing, Jurie Pieterse, the capability to revise creative is highlighted:

Another lesson we learnt is the importance of creative. It's critical to invest in developing various creative executions to test them for best performance and constantly introduce new challengers to the top performers. We've also learnt there's no single top creative unit – different creative executions and sizes perform differently from publisher to publisher.

- **Accountability.** As we will discuss later in the section, it is readily possible to measure reach, interaction and response to ads. However, it is more difficult to measure brand impact.

Disadvantages of online advertising

- **Relatively low click-through rates.** When discussing online ads, many web users will state they ignore ads and find them intrusive. Published click-through rates support this, with most compilations showing response rates of around 0.1 to 0.2 per cent, but with rich media formats such as video ads attracting higher click-through rates. This phenomenon is known among practitioners as 'banner blindness'. The first 468 × 68 pixel banner ad was placed on Hotwired™ in 1995 and the call-to-action 'Click here!' generated a click-through of 25 per cent. Since then, the click-through rate (CTR) has fallen dramatically, with many consumers suffering from banner blindness – they ignore anything on a website that looks like an ad. Remember, though, that for reasons such as awareness generation and the media-multiplier effect, digital marketers should not dismiss online advertising as ineffectual based on click-through rates alone. It should also be remembered that the use of new ad formats such as **native advertising** (which we introduced in [Chapter 3](#)) and widget marketing mean that there are other ways to get cut-through.
- **Relatively high costs or low efficiency.** When the low response rates are combined with relatively high costs of over £10 per thousand, this makes online ads an inefficient medium.
- **Brand reputation.** Brands can potentially be damaged in the consumers' minds if they are associated with some types of content such as gambling,

pornography or racism. It is difficult to monitor precisely which content an ad is served next to when millions of impressions are bought across many sites; this is particularly the case when using ad networks.

Native advertising

Online content that is created to promote or enhance a brand such as a publisher article or social media update. Such content should be disclosed as advertising by law in many countries, and for this reason publishers refer to it as branded content.

Best practice in planning and managing display ad campaigns

In this section we will review how measurement, targeting and creative can be used to improve the results from display ad campaigns.

Measurement of display effectiveness

Different terms are used for measuring banner ad effectiveness. Each time an advertisement is viewed it is referred to as an advertisement or **ad impression** – also known as **page impressions** (page views). Since some people may view the advertisement more than once, marketers are also interested in the **reach**, which is the number of unique individuals who view the advertisement. This will naturally be a smaller figure than that for ad impressions. Cost of ads is typically based on **CPM** or cost-per-thousand (*mille*) ad impressions, as with other media. However, the popularity of CPC search advertising and CPA affiliate deals means that these are options too.

Page and ad impressions

One page impression occurs when a member of the audience views a web page. One ad impression occurs when a person views an advertisement placed on the web page.

Reach

Reach defines the number of unique individuals who view an advertisement.

CPM

The cost of placing an ad viewed by 1,000 people.

As with other digital media, direct response to ads is measured through click-through rate. **Interaction rate (IR)** is a form of measurement that is unique to display ads. It refers to the many ads that encourage the site visitor to interact through a prompt to ‘rollover’, and another Flash creative will be loaded that may offer a clear brand message rendered in large font, a response form such as an insurance quote or a request to obtain a SIM or a game or poll. The engagement of the ad campaign for different placements can then be assessed through the interaction rate, which will typically be ten times higher than the click-through rate if the targeting, offer and creative is right.

Interaction rate (IR)

The proportion of ad viewers who interact with an online ad through rolling over it. Some will be involuntary depending on where the ad is placed on the screen, so it is highly dependent on placement.

When payment is made according to the number of viewers of a site it is important that the number of viewers be measured accurately. To do this, independent **website auditors** are required. The main auditing body in the UK is the Audit Bureau of Circulation Electronic, ABCelectronic (www.abc.org.uk).

Website auditors

Auditors accurately measure the usage of different sites in terms of the number of ad impressions and click-through rates.

There is much discussion about how many impressions of an advertisement an individual has to see for it to be effective. Novak and Hoffman (1997) note that for traditional media it is thought that fewer than three exposures will not give adequate recall. For new media, because of the greater intensity of viewing a computer screen, recall seems to be better with a smaller number of advertisements compared with old media. The technical term for adequate recall is **effective frequency**.

Effective frequency

The number of exposures of ad impressions (frequency) required for an advertisement to become effective.

When a user clicks on the advertisement, he or she will normally be directed to further information, viewing of which will result in a marketing outcome. Usually the user will be directed through to a specific landing page to encourage interaction and response from the advertisement. When a user clicks on an advertisement immediately this is known as a **click-through**, but ad-serving systems (using cookies) also measure **view-through**, which indicates when a user views an ad and subsequently visits a website within a defined period, such as 30 days. This increases overall response, but it should be borne in mind that users may have visited the site in response to other stimuli.

Click-through

A click-through (ad click) occurs each time a user clicks on a banner advertisement to direct them to a web page that contains further information. The click-through rate is expressed as a percentage of total ad impressions, and refers to the proportion of users viewing an advertisement who click on it. It is calculated as the number of click-throughs divided by the number of ad impressions.

View-through

Indicates when a user views an ad and subsequently visits a website.

Interactive ad formats

As well as the classic 468×60 rotating GIF banner ad, which is decreasing in popularity, media owners now provide a choice of larger, richer formats that web users are more likely to notice. Research has shown that message association and awareness building are much higher for flash-based ads, rich-media ads and larger-format rectangles (multipurpose units, MPUs) and skyscrapers. Other online ad terms you will hear include **interstitials** (intermediate adverts before another page appears) and the more common **overlays** (formerly more often known as *superstitials* or *overts*) that appear above content and, of course, *pop-up windows* that are now less widely used because of their intrusion. Online advertisers face a constant battle with users who deploy pop-up blockers, or, less commonly, ad-blocking software, but they will persist in using rich-media formats where they generate the largest response.

Interstitial ads

Ads that appear between one page and the next.

Overlay

Typically an animated ad that moves around the page and is superimposed on the website content.

Interactive ad targeting options

We have noted that most display advertising today is programmatic, based on real-time auctions so the ad can be targeted at an individual who is the best fit for the campaign objectives. Traditional approaches for targeting online ads are through placing ads with the following criteria:

- **On a particular type of site (or part of site).** This might be a part that has a specific visitor profile or type of content. So a car manufacturer of a car preferred by single female drivers can place ads on a publisher site appealing to a young female audience. A financial services provider can advertise in the money section of the site to target those interested in these products. To reach large mass-market audiences, advertisers can place an ad on a large portal home page such as MSN, which has millions of visitors each day (sometimes known as a ‘road-block’ if they take all ad inventory).
- **To target a registered user’s profile.** A business software provider could advertise on the FT to target registrants’ profiles such as finance directors or IT managers.
- **At a particular time of day or week.**
- **To follow users’ behaviour.** **Behavioural ad targeting** is all about relevance – dynamically serving relevant content, messaging or ads that match the interests of a site visitor according to inferences about their characteristics. These inferences are made by anonymously tracking the different types of pages visited by a site user during a single visit to a site or across multiple sessions. Other aspects of the environment used by the visitor can also be determined, such as their location, browser and operating system. For example, **FT.com** (using software from Revenue Science) can identify users in eight segments: Business Education, Institutional Investor, Information Technology, Luxury and Consumer, Management, Personal Finance, Travel and Private Equity. The targeting process is shown in [Figure 9.11](#). First, the ad-serving system detects whether the visitor is in the target audience (media optimisation), then creative optimisation occurs to serve the best ad for the viewer type.

Behavioural ad targeting

Enables an advertiser to target ads at a visitor as they move elsewhere on the Web or visit other sites on an ad network return to the site, aimed at increasing the frequency or number of impressions served to an individual in the target market.

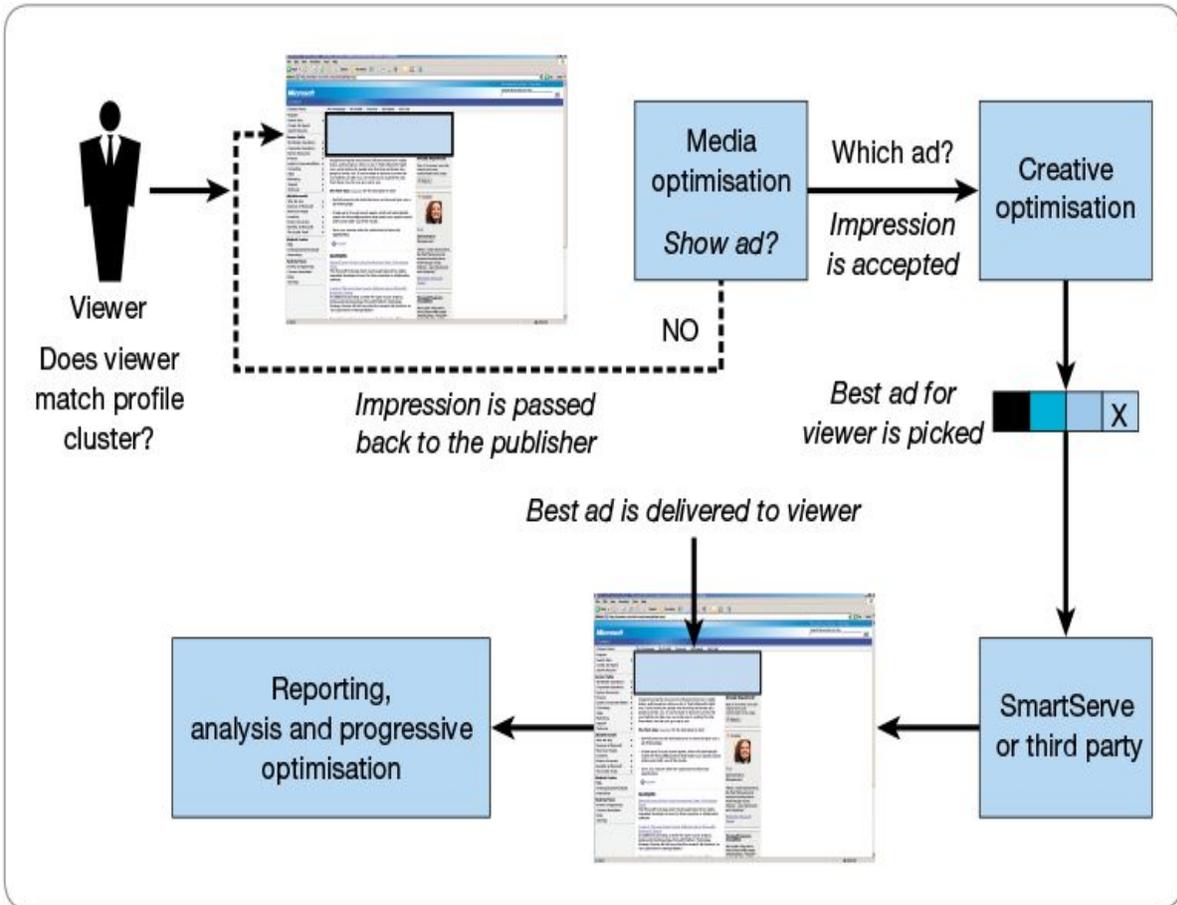
In 2010 behavioural targeting became available through Google's Ads platform as 'Remarketing', which made it available to many more advertisers.

Ad creative

As with any form of advertising, certain techniques will result in a more effective advertisement. Robinson *et al.* (2007) conducted research on the factors that increased click-through response to banner ads. The main variables they (and previous studies they reference) include are:

- banner size;
- message length;
- promotional incentive;
- animation;
- action phrase (commonly referred to as a call-to-action);
- company brand/logo.

Figure 9.11 Behavioural ad targeting process



Their research indicated that the design elements that made the most effective banner ads included a larger size, longer message, absence of promotional incentives and the presence of information about casino games. Surprisingly, the inclusion of brand name was not favourable in increasing click-through, although, as we noted, this may be because the ad generates a subsequent search on the brand. Please note that this study was restricted to online gambling ads.

Anecdotal discussions by the authors with marketers who have advertised online indicate the following are also important and worth considering:

- **Appropriate incentives are needed to achieve click-through.** Banner advertisements with offers such as prizes or reductions can achieve higher click-through rates by perhaps as much as 10 per cent.
- **Creative design needs to be tested extensively.** Alternative designs for the advertisement need to be tested on representatives of a target audience. Anecdotal evidence suggests that the click-through rate can vary greatly according to the design of the advertisement, in much the same way that

recall of a television advertisement will vary in line with its concept and design.

- **Placement of advertisement and timing need to be considered carefully.** The different types of placement options available have been discussed earlier in the chapter, but it should be remembered that audience volume and composition will vary through the day and the week.

Different styles of ad creative can be viewed by visiting the ad gallery of an ad-serving company such as DoubleClick (www.richmediagallery.com/), or a site that reviews ads such as Digital Buzz Blog (www.digitalbuzzblog.com).

Opt-in email marketing and mobile messaging

We have grouped email marketing with mobile messaging since these are both ‘push media’ that share much in terms of their applications for prospect and customer communications. We also explored these techniques in [Chapter 6](#), since they are most important for relationship building and nurturing in conjunction with marketing automation. This coverage of email marketing focuses more on acquisition.

What is email marketing?

When devising plans for email marketing communications, marketers need to plan for:

- **outbound email marketing**, where email campaigns are used as a form of direct marketing to encourage trial and purchases and as part of a CRM dialogue; and
- **inbound email marketing**, where emails from customers, such as service enquiries, are managed (this was discussed in [Chapters 3](#) and [5](#) and isn’t discussed further in this chapter).

Outbound email marketing

Emails are sent to customers and prospects from an organisation.

Inbound email marketing

Management of emails from customers by an organisation.

The applications of outbound email marketing communications broadly break down into customer acquisition and retention activities. According to the DMA (2017), marketers in the UK say email is best for retention (31 per cent chose this), followed by conversion (24 per cent), brand promotion (21 per cent), acquisition (14 per cent) and reactivation (8 per cent). The same report showed that the average ROI for respondents was £30 revenue for every £1 spent, showing the cost-effectiveness of email marketing as a technique.

Opt-in email options for customer acquisition

For acquiring new visitors and customers to a site, there are three main options for email marketing. From the point of view of the recipient, these are:

- **Cold email campaign.** In this case, the recipient receives an opt-in email from an organisation that has rented an email list from a consumer email list or trade publisher and event provider. List rental is not practical today under privacy laws since permission hasn't been sought. Instead, co-branded emails are used.
- **Co-branded email.** Here, the recipient receives an email with an offer from a company they have an affinity with and from whom they have agreed to receive ads, for example a publisher or retailer. [Digital marketing insight 9.4](#) gives an example of where email marketing is used to increase awareness as part of an integrated campaign combined with display advertising.
- **Third-party e-newsletter.** In this visitor acquisition option, a company publicises itself in a third-party e-newsletter. This could be in the form of an ad, sponsorship or PR (editorial) in a publisher newsletter, which links through to a destination site. These placements may be set up as part of an interactive advertising ad buy since many e-newsletters also have permanent versions on the website. Since e-newsletter recipients tend to engage with them by scanning the headlines or reading them if they have time, e-newsletter placements can be relatively cost effective. Viral marketing, which is discussed in the next main section, also uses email as the mechanism for transferring messages.

Opt-in email options for prospect conversion and customer retention (house list)

Email is most widely used as a prospect conversion and customer retention tool using an **opt-in house list** of prospects and customers who have given permission to an organisation to contact them. For example, **Lastminute.com** built a house list of over 10 million prospects and customers across Europe before it was acquired. Successful email marketers adopt a strategic approach to email and develop a contact or touch strategy that plans the frequency and content of email communications (as explained in Chapters 4 and 6). Some options for in-house email marketing include:

Digital marketing insight 9.4: SEAT combines email with display advertising to increase awareness

This study analysed the advertising effectiveness of email marketing and display advertising, looked at responses from over 1,000 consumers to SEAT's Ibiza ST campaigns. It used a classic 'hold out' approach where different respondents were reached through different combinations of media:

- contact through an email campaign;
- contact with display advertising;
- contact with both campaign channels.

The main results from the campaign, which showed the integrated benefits of the campaign, were:

1. The combination of display and email advertising improved advertising recall by 13 per cent compared with just display advertising.
2. Email increased disposition to buy in 47 per cent of cases and is therefore ideal for increasing conversions.
3. Spending power as a target group – by using email you can precisely reach your target group.
4. Email allowed the required reach of advertising to be reached three times more quickly than display advertising.

Opt-in

An individual agrees to receive email communications.

House list

A list of prospect and customer names, email addresses and profile information owned by an organisation.

- **Conversion email.** Someone visits a website and expresses interest in a product or service by registering and providing their email address, although they do not buy. Automated follow-up emails can be sent out to persuade the recipient to trial the service or buy a product. For example, betting company William Hill™ found that automated follow-up emails converted twice as many registrants to place their first bet compared to registrants who did not receive an email. Similarly, retailers will follow-up with ‘abandoned basket’ emails to encourage purchase where consumers have added a product to a basket and not yet purchased.
- **Regular e-newsletter type.** Options are reviewed for different frequencies such as weekly, monthly or quarterly, with different content for different audiences and segments. These are commonly used to update consumers on the latest products or promotions, or business customers on developments within a market.
- **House-list campaign.** These are periodic emails to support different objectives such as encouraging trial of a service or newly launched product, repeat purchases or reactivation of customers who no longer use a service.
- **Event-triggered or behavioural emails and sequences.** The marketing automation services explained in [Chapter 6](#) send out a series of emails, with the interval between emails and messages determined by the marketer. Examples include welcome or onboarding sequences, nurture sequences or reactivation sequences when a subscriber has become less active.

Advantages and disadvantages of email marketing

Advantages of email marketing

We saw in [Chapter 6](#) that permission-based email is an effective tool for building relationships with customers online. Despite the increase in spam, email can still drive good response levels, particularly for house lists (retention email marketing). Opt-in email communications provide a controlled push message that encourages response.

Owing to these advantages, in many countries the volume of email marketing exceeds direct mail volumes. However, no one is suggesting direct mail will disappear immediately, since it will typically have a higher impact than email marketing and the two work best when integrated.

The main advantages of email marketing are:

- **Relatively low cost of fulfilment.** The physical costs of email are substantially less than direct mail.
- **Direct-response medium encourages immediate action.** Email marketing encourages click-through to a website where the offer can be redeemed immediately – this increases the likelihood of an immediate, impulsive response. For this reason, it is one of the best methods of attracting existing customers to return to a site (it's a push media).
- **Faster campaign deployment.** Lead times for producing creative and the whole campaign lifecycle tend to be shorter than traditional media.
- **Ease of personalisation.** It is easier and cheaper to personalise email than for physical media, and also than for a website.
- **Options for testing.** It is relatively easy and cost-effective to test different email creative and messaging.
- **Integration.** Through combining email marketing with other direct media that can be personalised, such as direct mail, mobile messaging or web personalisation, campaign response can be increased as the message is reinforced by different media.

Disadvantages of email marketing

Some of the disadvantages of email marketing that marketers need to manage as they run their campaigns, so that they are closely related to best practice, are:

- **Deliverability.** Difficulty of getting messages delivered through different Internet service providers (ISPs), corporate firewalls and web mail systems.
- **Renderability.** Difficulty of displaying the creative as intended within the inbox of different email reading systems.
- **Email response decay.** Email recipients are most responsive when they first subscribe to an email but it is difficult to keep them engaged.
- **Communications preferences.** Recipients will have different preferences for email offers, content and frequency that affect engagement and response. These have to be managed through communications preferences.
- **Resource intensive.** Although email offers great opportunities for targeting, personalisation and more frequent communications, additional people and technology resources are required to deliver these.

Best practice in planning and managing email marketing

In this section we will review how measurement, targeting and creative can be used to improve the results from email marketing.

Email service providers

Email service providers (ESPs), or marketing automation services, are a popular method companies use to manage their email marketing. ESPs provide a web-based service used by marketers to manage their email activities with less recourse to an agency. Rather than buying software that you host and manage on your server, the software is effectively used on a subscription basis, with a cost based on number of emails sent and runs on another company's server. The ESP manages three key capabilities including hosting of forms for managing email subscriptions and landing pages, the broadcast tools for dispatching the emails and a database containing the prospect or customer profiles.

Email service providers (ESPs)

Provide a web-based service used by marketers to manage their email activities including hosting email subscription forms, broadcast and tracking.

Measuring email marketing

The key measures for email marketing are:

- **Delivery rate** (here indicated by 'non-bounce rate'). Emails will bounce if the email address is no longer valid or a spam filter blocks the email.
- **Open rate.** This is measured for HTML messages through downloaded images. It is an indication of how many customers open an email, but is not accurate since some users have preview panes in their email readers that load the message even if it is deleted without reading, and some email readers such as Outlook Express now block images by default (this has resulted in a decline in open rates through time). Open rates for particular types of email address, e.g. **Hotmail.com**, is also an indication of deliverability problems.
- **Click-through or click rate.** This is the number of people who click-through on the email of those delivered (strictly unique clicks rather than

total clicks). You can see that response rates are quite high at around 10 per cent.

Additionally, and most important, are the marketing outcomes or value events (Chapter 8) such as sales and leads achieved when an email recipient clicks-through to the website. Retailers will also have additional methods of comparing email campaigns such as revenue/profit per email or thousand emails and average order value (AOV).

Email marketing success factors

Effective email marketing shares much in common with effective direct email copy. Chaffey (2006) uses the mnemonic CRITICAL for a checklist of questions that can be used to improve the response of email campaigns. It stands for:

- **Creative.** This assesses the design of the email including its layout, use of colour and image and the copy (see below).
- **Relevance.** Does the offer and creative of the email meet the needs of the recipients? This is dependent on the list quality and targeting variables used.
- **Incentive (or offer).** The WIFM factor (‘What’s in it for me?’) for the recipient. What benefit does the recipient gain from clicking on the hyperlink(s) in the email? For example, a prize draw is a common offer for B2C brands.
- **Targeting and timing.** Targeting is related to the relevance. Is a single message sent to all prospects or customers on the list or are emails with tailored creative, incentive and copy sent to the different segments on the list? Timing refers to when the email is received: the time of day, day of the week, point in the month and even the year; does it relate to any particular events? There is also the relative timing – when it is received compared to other marketing communications – this depends on the integration.
- **Integration.** Are the email campaigns part of your integrated marketing communications? Questions to ask include: are the creative and copy consistent with my brand? Does the message reinforce other communications? Does the timing of the email campaign fit with offline communications?
- **Conversation.** This is to remind us that email shouldn’t just be considered as a broadcast medium and opportunities should be taken to encourage

response, for example through social media.

- **Attributes (of the email).** Assess the message characteristics such as the subject line, from address, to address, date/time of receipt and format (HTML or text). Send out Multipart/MIME messages that can display HTML or text according to the capability of the email reader. Offer choice of HTML or text to match users' preferences.
- **Landing page (or microsite).** These are terms given to the page(s) reached after the recipient clicks on a link in the email. Typically, on click-through the recipient will be presented with an online form to profile or learn more about them. Designing the page so the form is easy to complete can affect the overall success of the campaign.

A relevant incentive, such as free information or a discount, is offered in exchange for a prospect providing their email address by filling in an online form. Careful management of email lists is required since, as the list ages, the addresses of customers and their profiles will change, resulting in many bounced messages and lower response rates. Data protection laws also require the facility for customers to update their details.

Practical issues in managing email marketing

Two of the main practical challenges for email marketers or their agencies to manage are **deliverability** and **renderability**.

Deliverability

Refers to ensuring email messages are delivered and aren't blocked by spam filters because the email content or structure falsely identifies a permission-based email as a spammer, or because the sender's IP address has a poor reputation for spam.

Renderability

The capability of an email to display correctly formatted in different email readers on desktop and mobile devices.

Email marketers have to ensure their emails are delivered, given the increase in efforts by ISPs and web-email companies to reduce spam into their end users' inboxes. Email marketers do not want to be identified as a 'false positive', where permission-based emails may be bounced or placed into junk-mail boxes or simply deleted if the receiving system assesses that they are spam.

Web-based email providers such as Hotmail and Yahoo! Mail have introduced standard authentication techniques known as Sender ID and Domain Keys, which email marketers should use to make sure the email broadcaster is who they say they are and doesn't spoof their address as many spammers do. Email providers also assess the reputation of the email broadcasters using services such as SenderScore™ (www.senderscore.org), based on the number of complaints and quality of emails sent.

It is also important that email marketers do not use keywords in their emails that may identify them as spam. For example, email filters such as Spam Assassin™ (www.spamassassin.org) have these types of rules that are used to assess spam:

- SUB_FREE_OFFER
- SUBJECT_DRUG_GAP_VIA
- TO_ADDRESS_EQ_REAL
- HTML_IMAGE_RATIO_04
- HTML_FONT_BIG
- Subject starts with 'Free'
- Subject contains a gappy version of 'viagra'
- To: repeats address as real name
- BODY: HTML has a low ratio of text to image area
- BODY: HTML tag for a big font size

Although the word 'free' in a subject line may cause a problem, this is only one part of the signature of a spam, so it may still be possible to use this word if the reputation of the sender is good.

Renderability refers to how the email appears in different email readers. Often images are blocked by readers in an effort to defeat spammers who use the fact that images are downloaded as the user views the email to detect that the email is a valid address. So emails that are made up only of images with no text are less likely to be effective than hybrid messages combining text and images. Formatting can also differ in different readers, so designers of emails have to test how emails render in common email readers such as Hotmail and Yahoo! Mail.

A further challenge is trying to achieve ongoing engagement with list members. Some approaches that are commonly used include:

- Develop a welcome programme where over the first three to six months targeted, automatically triggered emails educate subscribers about your

- brand, products and deliver targeted offers.
- Use offers to reactivate list members as they become less responsive.
 - Segment list members by activity (responsiveness) and age on list and treat differently, either by reducing frequency or using more offline media.
 - Follow-up on bounces using other media to reduce problems of dropping deliverability.
 - Best practice when renting lists is to request only emails where the opt-in is within the most recent six to nine months when subscribers are most active.

List management

Email marketers need to work hard to improve the quality of their list (as explained in [Chapter 6](#)). Respondents believed that the data and its selection accounted for over half of a campaign's success. The creative and offer are still considered significant, while timing is viewed as having the least impact, accounting for just 10 per cent of the success of an email campaign. The report noted that the majority of respondents gather new email addresses through organic website traffic, with offline (paper-based) activity accounting for 40 per cent and telemarketing for 31 per cent.

Mobile text messaging and mobile push notifications

We have concentrated our coverage on email marketing in this section since the amount of marketing investment and levels of activity in email marketing is far higher than in mobile text messaging, because it seems that receiving permission-based emails is more acceptable than receiving what may be perceived as an intrusive text message on a mobile device. Additionally, it enables more complex, visual messages to be delivered. However, where a mobile app is the primary platform for interacting with consumers, mobile push notifications can be more engaging than emails, particularly for audiences whose smartphone is their primary device.

Social media and viral marketing

Social media marketing is an important category of digital marketing that, as explained in the social media section at the start of [Chapter 6](#), involves encouraging customer communications on a company's own site, or social presences such as Facebook or Twitter or in specialist publisher sites, blogs and

forums. It can be applied as a traditional broadcast medium – for example, companies can use Facebook or Twitter to send messages to customers or partners who have followed them. However, to take advantage of the benefits of social media it is important to start to participate in customer conversations. These can be related to products, promotions or customer service and are aimed at learning more about customers and providing support, thus improving the way a brand is perceived.

Social media marketing

Monitoring and facilitating customer interaction and participation throughout the web to encourage positive engagement with a company and its brands. Interactions may occur on a company site, social networks and other third-party sites.

In this chapter we review the potential for developing viral campaigns, as introduced through the examples in [Activity 9.2](#). ([Chapter 6](#) focuses on developing a social media communications strategy.)

Activity 9.2: The essential ingredients of a viral Facebook campaign

With Facebook having in excess of two billion users, there is good potential for viral marketing for different types of organisations. This activity considers three examples from very different types of business.

Questions

1. Which success factors do the three campaigns share in common?
2. Discuss current campaigns that share similar success factors or use others.
3. What are the risks to different organisations like these that should be considered when planning and executing these types of campaigns?

The charity – MQ: It's time to give a xxxx about mental illness campaign

This campaign from MQ Transforming Mental Health Through Research focuses on mental illness in young people and the wider population.

This campaign has a high-impact creative based on different 'It's time to change the facts' messages, which encourage sharing by showing how this is a neglected illness, with 23 per cent of the population affected but less than 6 per cent of health research spent here, or how four-in-ten people feel that mental illness is 'an inevitable part of life'. The simple

visuals and messages work well, but this campaign is integrated with powerful videos and commentary from indie bands (<https://www.facebook.com/mqmentalhealth/posts/1656421141101326>).

The brand – KFC Clean Eating Burger

The impact of this video campaign, created primarily for Facebook, was significant. It's a spoof that sends up health-food vloggers, featuring Figgy Poppleton-Rice – a fictional food vlogger who 'would literally marry kale'. She's explaining a video recipe for the 'Clean Eating Burger': a combination of raw cauliflower, pulsed ice, kale and boiled chicken, which is crushed with the not-so-healthy Dirty Louisiana burger that KFC launched in the UK. Over 16 million views shows the power of viral videos that poke fun. Branded virals don't always link so well to a product, but this pulls it off (<https://www.facebook.com/KFC.uk/videos/10154301066572647/>).

Figure 9.12 MQ charity Facebook page



The retailer – [AO.com](#) Bloodthirsty Gin Punch campaign

[AO.com](#) is a UK-based online retailer that sells white goods and other home electrical equipment. AO gets a lot of engagement through simple ploys such as asking the audience to get involved, whether it's counting rubber ducks in a dishwasher, how many beers are in a fridge-freezer or how many clothes fit into a washing machine. The Bloodthirsty Gin Punch campaign piggybacked on Halloween and nicely integrated with its AO.Life blog. It's been widely shared since it's just a bit edgy – the video features an eyeball-bearing punch and spooky sounds, so not for the squeamish (<https://www.facebook.com/AOLetsGo/videos/10155894120989292/>).

Viral marketing

Social media marketing is closely related to **viral marketing** since social media naturally involves 'social media amplification', where content is shared. Viral marketing is a specific approach that involves harnessing the network effect of the Internet and can be effective in reaching a large number of people rapidly as a marketing message is quickly transmitted to many people in the same way as a natural virus or a computer virus. It is effectively an online form of word-of-mouth communications, which is sometimes also known as 'buzz marketing'. When planning integrated campaigns, it is important to note that the online viral affect can be amplified through offline media mentions or advertising either on TV and radio or in print. See [Mini case study 9.1](#) for discussion of viral marketing techniques.

Viral marketing

Online viral marketing, or buzz marketing, is a form of electronic word-of-mouth marketing. Brands and promotions are discussed and awareness of them transmitted in two main forms, either as pass-along email or discussion in a social network.

Mini case study 9.1: Research reveals which emotions make content 'go viral'

The 'holy grail' for many marketers today is 'viral content'. Marketers talk about wanting a 'goes viral!'. Academic research into types of emotion has yielded evidence into the types of emotions that content must leverage to create a successful viral campaign. For example, two University of Pennsylvania marketing professors, Jonah Berger and Katherine L. Milkman, published an article 'What makes content viral?' (2012) describing how they had used a web

crawler to analyse three months of articles written on the *New York Times* news website. Examining results from nearly 7,000 articles, they found that *emotional arousal* was the single biggest factor in determining whether a campaign ‘went viral’. Articles that inspired, caused anger or awe-inspiring emotions, were all far more likely to end up on the ‘most emailed list’ on the site. Although negative articles actually evoked slightly more email responses than positive ones, both emotional groupings were dependent on the intensity of arousal resulting from the expressed emotions. In other words, those articles that were either *really positive* or *really negative* were more likely to evoke email responses than those that were *less positive* or *less negative* – i.e. by extension, less emotive and therefore more aligned to the neutral middle line.

Similar findings resulted from a 2013 study led by Associate Professor of Emerging Media and Communication, Rosanna E. Guadagno (Guadagno *et al.*, 2013), which looked at the factors that caused YouTube videos to go viral. This research team also concluded that a video was far more likely to be shared in cases where it aroused emotions – either positive or negative – in participants. This study also found that videos that resulted in high levels of human emotion had a tendency to be shared. Whether participants viewed them positively or negatively mattered little in this regard; what mattered was that they had an overwhelming emotional attachment to the content, one way or the other.

Writing in the *Harvard Business Review*, Kelsey Libert and Kristin Tynski of Fractl (2013) explored the emotions that make marketing campaigns go viral. To understand the best emotional drivers to use in the content, they reviewed 30 of the top 100 images of the year from imgur.com, as voted on social sharing site Reddit.com. They then surveyed 60 viewers to find out which emotions each image activated for them, classified using Robert Plutchik’s comprehensive Wheel of Emotion. They found that certain specific emotions were common in highly viral content, while others were less common. Emotions that fit into the surprise and anticipation segments of Plutchik’s wheel were overwhelmingly represented.

Word-of-mouth (WOM) marketing is an established concept closely related to viral marketing, but broader in context. The Word-of-Mouth Marketing Association (<https://womma.org>) explains how WOM can be harnessed:

Word-of-mouth can be encouraged and facilitated. Companies can work hard to make people happier, they can listen to consumers, they can make it easier for them to tell their friends, and they can make certain that influential individuals know about the good qualities of a product or service.

Word-of-mouth (WOM) marketing

According to the Word-of-Mouth Marketing Association (WOMMA) it is giving people a reason to talk about your products and services, and making it easier for that conversation to take place. It is the art and science of building active, mutually beneficial consumer-to-consumer and consumer-to-marketer communications.

They go on to explain that all word-of-mouth marketing techniques are based on the concepts of customer satisfaction, two-way dialogue and transparent communications. The basic elements are:

- educating people about your products and services;
- identifying people most likely to share their opinions;
- providing tools that make it easier to share information;
- studying how, where and when opinions are being shared;
- listening and responding to supporters, detractors and neutrals.

WOMMA identifies different approaches for facilitating WOM. The ones that are most relevant to online marketing are:

- **Buzz marketing.** Using high-profile entertainment or news to get people to talk about your brand.
- **Viral marketing.** Creating entertaining or informative messages that are designed to be passed along in an exponential fashion, often electronically or by email.
- **Community marketing.** Forming or supporting niche communities that are likely to share interests about the brand (such as user groups, fan clubs and discussion forums); providing tools, content and information to support those communities.
- **Influencer marketing.** Identifying key communities and opinion leaders who are likely to talk about products and have the ability to influence the opinions of others.
- **Conversation creation.** Interesting or fun advertising, emails, catchphrases, entertainment or promotions designed to start word-of-mouth activity.
- **Brand blogging.** Creating blogs and participating in the blogosphere, in the spirit of open, transparent communications; sharing information of value that the blog community may talk about.
- **Referral programmes.** Creating tools that enable satisfied customers to refer their friends.

Positive WOM is believed to increase purchase intent. For example, Marsden *et al.* (2005) found that brands such as HSBC, Honda and O₂ with a greater proportion of advocates measured through Net Promoter Score (NPS) (see [Chapter 6](#)) tended to be more successful. They recommend eight ways to encourage word of mouth, most of which can be facilitated online:

- **Implement and optimise referral programmes.** Reward customers for referring new customers, and reward the referee as well as the referrer.
- **Set up brand ambassador schemes.** Recruit brand fans as ambassadors, who receive exclusive merchandise/offers to share with their contacts.
- **Use tryvertising.** A combination of ‘try’ or ‘trial’ and ‘advertising’, this is a twist on product sampling. The idea is that rather than provide free samples or trials to anyone in a target market, tryvertising involves sampling on a selective and exclusive basis to lead users – ideally with new products or services before they become widely available.
- **Use causal marketing.** Associate your brand with a good cause that builds on brand values (e.g. Nike anti-racism in sport).
- **Measure your Net Promoter Score (NPS).** Track your NPS at all brand touchpoints to find out what you are doing right, and what needs to be improved.
- **Start an influencer outreach programme.** Reach out to the 10 per cent who tell the other 90 per cent what to try and buy with special offers and programmes.
- **Harness the power of empowered involvement.** Create advocacy – let your lead clients, customers or consumers call the shots on your innovation and marketing with VIP votes and polls.
- **Focus innovation on doing something worth talking about.** Do something new that delivers an experience that exceeds expectations.

In an online context, word-of-mouth marketing is important since there is great potential for facilitating electronic word of mouth. It is very important for online marketers to understand how WOM can be generated and influenced since research, such as that conducted by Forrester (2007) quoted in the section on online public relations, shows that recommendations from friends, family or even other online consumers are trusted and are a major consideration in product and supplier selection.

Social network-related viral marketing

Dee *et al.* (2007) note the importance of social networks in influencing perceptions about brands, products and suppliers. Their research shows large differences in gender and age on the types of products discussed, but recommendations on restaurants, computers, movies and vehicles are popular in all categories.

Advantages and disadvantages of social media and viral marketing

The advantages and disadvantages of viral marketing are shared with those of online PR, as covered earlier in the chapter. However, it can be argued that the risk in investment in viral marketing is higher since it is difficult to predict the success of a particular viral agent.

Advantages of social media and viral marketing

The main advantage of social media and viral marketing is that an effective viral agent can reach a large audience in a cost-effective way. We have also seen how consumers rate the opinions of their peers, friends and family highly, so they can be highly influential. Kumar *et al.* (2007) have discussed the potential value that can be generated through customer referrals in several case studies. Within social networks, major influencers can help spread the message more widely.

Since so many consumers and business people use social media, they are an effective reach channel that is also effective for advertising. Facebook-sponsored ads are now a major ad investment channel since they can provide different formats such as video and can also be used for retargeting following website visits.

Within Facebook, retargeting is achieved through defining a Custom Audience. You can retarget existing contacts (by uploading a file of prospects or customers) and website traffic (where you install the 'Facebook' pixel onto sections of your site, e.g. product pages where you want visitors to follow-up on). You can also retarget if you have app users, or follow-up on people who have interacted with you in Facebook. New prospects can be found through interest-based targeting and 'Lookalike' audiences, where Facebook ads are displayed to people who possess similarities to existing prospects and customers.

Disadvantages of social media and viral marketing

The main disadvantage of viral marketing is that this is a high-risk marketing communications technique, since it requires significant initial investment in the viral agent and seeding. However, there is no guarantee that the campaign will 'go viral', in which case the investment will be wasted.

With marketing within social networks it is challenging to engage audiences when they are socialising with their contacts and may not wish to interact with brands. It is also difficult to find the right types of content that will engage audiences and that they will share with their contacts. Seeding to key influencers can help with distributing content, but seeding is a time-consuming specialist activity.

Of course, although positive viral marketing can spread rapidly, so can negative sentiments about a company, which we referred to in the section on online reputation management.

As with Google Ads advertising, Facebook advertising operates on a cost-per-click-based auction, so it can be expensive to reach sought-after audiences.

Now social media is established and we have experienced a lot of ‘hype’ about its benefits for marketing we would expect to see its impact evaluated and it criticised. This has indeed happened, with some strong viewpoints on both sides described in [Digital marketing insight 9.5](#). What do you readers think of social media?

Best practice in planning and managing viral marketing

To make a viral campaign effective, Justin Kirby of viral marketing specialists DMC (www.dmc.co.uk) suggested these three things are needed (Kirby, 2003):

- **Creative material – the ‘viral agent’.** This includes the creative message or offer and how it is spread (text, image, video).
- **Seeding.** Identifying websites, blogs or people to send email to start the virus spreading. Seeding can also be completed by email to members of a house list or renting a list with the likely audience.
- **Tracking.** To monitor the effect, to assess the return from the cost of developing the viral agent and seeding.

Digital marketing insight 9.5: Is social media ‘mostly a waste of time’ and an ‘infantile delusion’?

Here are three examples of social media being criticised in what you could say is a ‘backlash’.

First, take a look at Mark Ritson, Associate Professor of Marketing and Branding and columnist on *Marketing Week*, speaking in this video: www.youtube.com/watch?v=S2NUayn2vP0. He acknowledges that ‘social media is an amazing tool’ but states that it is ‘mostly a waste of time’ and suggests that marketers’ focus is wrong:

Marketers are putting too much emphasis on social media due to the hype in the media, and are forgetting how powerful traditional advertising and marketing can be.

Some marketers and PR professionals, such as Nicola Swankie (2014) from Society felt the need to respond to his video on behalf of social media practitioners. She responded in a long post, reminding him that:

Social media has given us the new power that people have is vital to consider for any marketer, because it’s shifted marketing forever – it’s given us the control to personalise and choose the media we see and it’s given us a voice.

She says that great marketing should engage, it shouldn’t be something people want to ignore:

Social is the most honest of any media and so it’s where lazy, unengaging marketing is most in evidence. That is not a reason to ignore Social, it should be a challenge to us all to think about how to make our marketing more compelling and relevant.

Well said?

Here’s another case where a respected marketer criticises social media marketing. Bob Hoffman, described as ‘a traditional ad man’, is the publisher of the Ad Contrarian blog. He delivered a withering quote at Advertising Week Europe that featured in AdRants (and you can see it in this video: www.youtube.com/watch?v=EyTn_DgfcFE):

The theory that people want to engage with brands online and share their enthusiasm with their friends, and that their friends will share their enthusiasm with other friends through social media channels, has turned out to be an infantile fantasy.

Of course, these are only opinions from people who can’t be considered active marketing practitioners. The opinion of people who are actively working using digital marketing counts for more, you could argue. When we survey Smart Insights readers we find that social media marketing is usually rated positively as cost-effective, although typically behind search and email marketing (Smart Insights, 2015). But for definitive proof in a business or across a sector we have to turn to analytics.

Benchmarking data from SimilarWeb, also reported in Smart Insights (2015), presents traffic sources for different sectors and this shows that in the retail sector for the UK and US social is indeed insignificant (less than 5 per cent of site visits) compared with search, direct and referrals from other sites, although some ‘dark social’ social media traffic may be masked in direct traffic. A last-click approach to reviewing the impact of social media in sales can be misleading, since often social media updates may generate initial awareness, but conversion occurs in a subsequent visit following a search or direct visit.

If we review media attribution analytics, there is a similar pattern for retailers with a low impact for social media behind the other main digital marketing channels. This analysis was summarised in a blog post for a report titled ‘Facebook and Twitter do almost nothing for Sales?’, described in Smart Insights (2014).

Today, these factors are still relevant within online PR campaigns, although we talk about ‘shareable social objects’ rather than ‘viral agent’, and ‘influencer

outreach' rather than 'seeding'.

Offline promotion techniques

The importance of offline communications in driving visitors to a website is well known by site owners, who find that greater levels of investment in offline advertising using TV, print or radio results in a greater number of direct visitors to websites (Figure 9.1). Multiscreening enhances this effect, since simultaneous use of devices such as TV, smartphone and tablet is so common. If someone sees an ad on TV, they can easily search via their mobile device for a brand or the category. The influence of TV can be tracked by web analytics, which shows an increase in searches containing the brand or campaign name or the web address, or direct visitors who enter the site URL into the address bar. Freid (2017) notes that he has seen mature brands receive a 20–30 per cent uplift in search visits when a TV campaign starts. He also explains the impact of TV on social media:

Not every TV ad is meant for social media, but in some cases, TV creative can be inspirational, funny or bring out other emotions that resonate with your target audience. In these cases, it may make sense for your social profiles to share your TV creative or even promote it through advertising.

Research has identified that there is a clear correlation between investment in offline advertising and visits to a website. For example, Hitwise (2006) found in a study of brands including B SkyB, Orange and the AA that searches on brand terms and URLs increased when offline media investment was combined with online. For example, when Sky's media campaign included both online and offline advertising (in September to November of 2005) the strongest result was achieved online, with searches for the Sky brand increasing +20 per cent and searches for the Sky URL more than doubling. When offline ran without the integration of online in March 2006, the same lift in searches was not evident. This research also shows the need for significant offline spend, with Sky spending around 20 per cent online, with print, TV and radio still remaining significant (see Figure 9.13).

The linkage between advertising and search has also been investigated by Graham and Havlena (2007), who additionally studied the role of advertising in generating word-of-mouth discussion online. They found 'strong evidence that advertising does stimulate increased visitation to the websites of advertised brands – an indicator of consumer interest and involvement with a brand'.

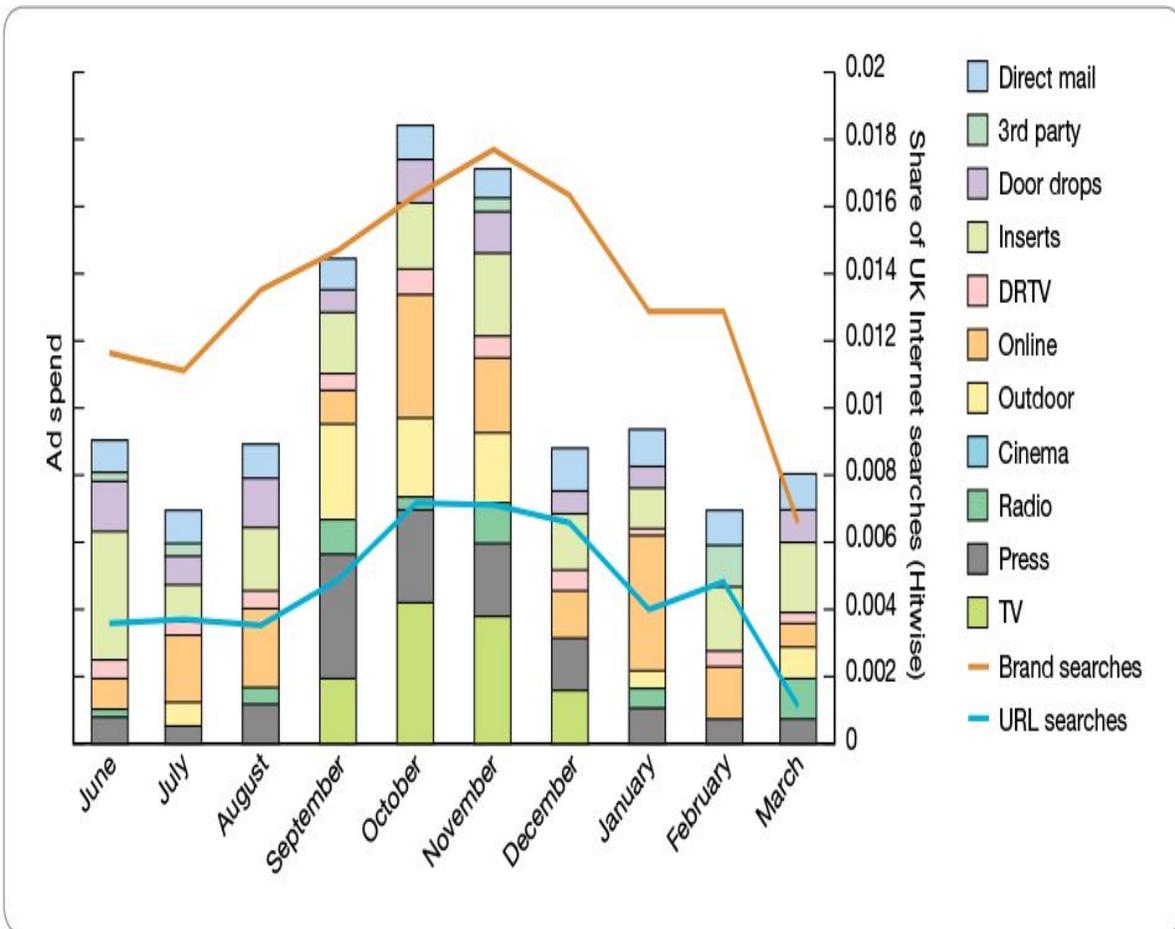
Online website promotion techniques such as search engine marketing and banner advertising often take prominence when discussing methods of traffic building. But we start with using offline communications to generate site visitors since it is one of the most effective techniques to generate site traffic and the characteristics of offline media are such that they often have a higher impact and are more creative, which can help explain the online value proposition. **Offline promotion** refers to using communications tools such as advertising and PR delivered by traditional media such as TV, radio and print in order to direct visitors to an online presence.

Offline promotion

Using traditional media such as TV, radio and print to direct visitors to an online presence.

Despite the range of opportunities for using new online communications tools, traditional communications using offline media such as TV, print and direct mail and others shown in [Figure 1.9](#) remain a significant form of investment in marketing communications for most. Even organisations that transact a large proportion of their business online continue to invest heavily in offline communications. Consider the travel sector, where both travel suppliers such as BA, Thomson and easyJet and intermediaries such as Expedia and Opodo transact an increasing proportion of their sales online, but are still reliant on offline communications to drive visitors to the web to transact.

Figure 9.13 Sky spend by medium compared with market share of UK internet searches, 5 June–6 March



Source: The Hitwise UK Media Impact Report, September 2006

When the web analytics data about referring visitors are assessed, for most companies that are not online-only businesses we find that over half the visitors are typically marked as 'No referrer'. This means that they visited the site direct by typing the web address into the address bar in response to awareness of the brand generated through real-world communications (others may have bookmarked the site or clicked-through from a search engine).

Advantages and disadvantages of using offline communications to support e-commerce

Offline communications work; they are effective in achieving four critical things:

- **Reach:** since newspaper, TV and postal communications are used by virtually all consumers.
- **Brand awareness:** through using high-impact visuals.

- **Emotional connection:** with brand, again through visuals and sounds.
- **Explanation:** of the online value proposition for a brand.

A further benefit is that for any given objective, integrated marketing communications received through different media are more effective in achieving that objective. We mentioned this cumulative reinforcement effect of integrated marketing communications when referring to the 4Cs of coherence, consistency, continuity and complementarities earlier in the chapter. Having said this, the disadvantages of using offline communications to encourage online channel usage compared to many online communications tools are obvious. In general, the disadvantages of offline communications are:

- **Higher cost.** Return on investment tends to be higher for online communications such as search engine optimisation, pay-per-click marketing or affiliate marketing.
- **Higher wastage.** The well-known expression, ‘half my advertising is wasted, but I don’t know which half’, may be true about offline marketing, but it isn’t true online if the right tracking processes are in place.
- **Poorer targeting.** Targeting by behaviour, location, time, search keyword, site and site content is readily possible online. This tends to be more targeted compared to most offline media (apart from direct marketing).
- **Poorer accountability.** It is straightforward to track response online – offline it is expensive and error-prone.
- **Less detailed information.** The detailed information to support a decision can only be cost-effectively delivered online.
- **Less personalised.** Although direct mail can be personalised, personalisation is more straightforward online.
- **Less interactive experience.** Most offline communications are one-way – interaction is possible online with the right creative.

Incidental and specific advertising of the online presence

Two types of offline advertising can be identified: incidental and specific. Reference to the website is **incidental offline advertising** if the main aim of the advert is to advertise a particular product or promotion and the website is available as an ancillary source of information if required by the viewer. Traditionally, much promotion of the website in the offline media by traditional companies has been incidental – simply consisting of highlighting the existence

of the website by including the URL at the bottom of an advertisement. Reference to the website is **specific offline advertising** if it is an objective of the advert to explain the proposition of the website in order to drive traffic to the site to achieve direct response. Here the advert will highlight the offers or services available at the website, such as sales promotions or online customer service. Many state ‘Visit our website!!’, but clearly a more specific strapline can be developed that describes the overall proposition of the site (‘detailed information and product guides to help you select the best product for you’) or is specific to the campaign (‘we will give you an instant quote online, showing how much you save with us’). Complete [Activity 9.3](#) for further examples.

Incidental offline advertising

Driving traffic to the website is not a primary objective of the advert.

Specific offline advertising

Driving traffic to the website or explaining the online proposition is a primary objective of the advert.

Offline response mechanisms

The different response mechanics such as web response and URL strategy that we discussed in [Chapter 8](#) in the section on campaign response mechanisms have to be used to maximise response, since this helps to direct potential customers to the most appropriate content on the website. Different URLs are also useful for measuring the response of offline media campaigns since we can measure the number of visitors arriving directly at the URL by entering the domain name.

Activity 9.3: Selecting the best digital media channel mix techniques

Suggest the best mix of online (and offline) promotion techniques to build traffic for the following situations:

- **Well-established B2C brand with high brand awareness.**
- **Dot.com startup.**
- **Small business aiming to export.**

- **Common B2C product, e.g. household insurance.**
- **Specialist B2B product.**

Public relations

Public relations can be an important tool for driving traffic to the website if changes to online services or online events are significant, or if a viral campaign is discussed online. We have covered the benefits of online PR and influencer relationship management in detail earlier in this chapter. Many newspapers have regular features listing interesting entertainment or leisure sites or guides to specific topics such as online banking or grocery shopping. Trade magazines may also give information about relevant websites.

Jenkins (1995) argues that one key objective for public relations is its role in transforming a negative situation into a positive achievement. The public relations transfer process, he suggests, is as follows:

- from ignorance to knowledge;
- from apathy to interest;
- from prejudice to acceptance;
- from hostility to sympathy.

Direct marketing

Direct marketing can be an effective method of driving traffic to the website. As mentioned earlier, a web response model can be used where the website is the means for fulfilling the response, but a direct mail campaign is used to drive the response. Many catalogue companies will continue to use traditional direct mail to mail out a subset of their offering, with the recipient tempted to visit the site through the fuller offering and incentives such as competitions or web-specific offers.

Other physical reminders

Since we all spend more time in the real rather than the virtual world, physical reminders explaining why customers should visit websites are significant. What is in customers' hands and on their desktop will act as a prompt to visit a site and counter the weakness of the web as a pull medium. This is perhaps most important in the B2B context, where a physical reminder in the office can be

helpful. Examples, usually delivered through direct marketing, include brochures, catalogues, business cards, point-of-sale material, pens, postcards, inserts in magazines and password reminders for extranets.

Word-of-mouth marketing

It is worth remembering that, as we stated in the section on viral and word-of-mouth marketing, word of mouth plays an important role in promoting sites, particularly consumer sites where the Internet is currently a novelty. Opinion Research Corporation International, ORCI (1991), reported on a study among US consumers that showed that the typical Internet consumer tells 12 other people about his or her online shopping experience. This compares with the average US consumer, who tells 8.6 additional people about a favourite film and another 6.1 people about a favourite restaurant! It has been said that if the online experience is favourable then a customer will tell 12 people, but if it is bad they will tell twice as many, so word of mouth can be negative also. Parry (1998) reported that, for European users, word of mouth through friends, relatives and colleagues was the most important method by which users found out about websites, being slightly more important than search engines and directories or links from other sites.

Summary

1. Online promotion techniques include:
 - *Search engine marketing* – search engine optimisation (SEO) and content marketing improves position in the natural listings and pay-per-click ads feature a company in the sponsored listings of a search engine or on the display network.
 - *Online PR* – including techniques such as influencer outreach, link building, blogging and reputation management.
 - *Online partnerships* – including affiliate marketing (commission-based referral), co-branding and sponsorship.
 - *Online advertising* – using a range of formats including banners, skyscrapers and video across publisher and social network sites. Programmatic is the main form of display investment. Retargeting is an important tactic to remind people about brands they have interacted with.
 - *Email marketing* – including co-branded emails, event-triggered emails and ads in third-party e-newsletters for acquisition, and e-

- newsletters and campaign emails to house lists.
 - *Social media marketing* – engaging audiences on different social networks and on a company’s own site through sharing content and developing great creative concepts that are transmitted by online word-of-mouth or viral marketing.
2. Offline promotion involves promoting the website address, highlighting the value proposition of the website and achieving web response through traditional media advertisements in print or on television.
 3. Interactive marketing communications must be developed as part of integrated marketing communications for maximum cost-effectiveness.
 4. Key characteristics of interactive communications are the combination of push and pull media, user-submitted content, personalisation, flexibility and, of course, interactivity to create a dialogue with consumers.
 5. Objectives for interactive communications include direct sales for transactional sites, but they also indirectly support brand awareness, favourability and purchase intent.
 6. Important decisions in the communications mix introduced by digital media include:
 - the balance between spend on media and creative for digital assets and ad executions;
 - the balance between spend in traditional and offline communications;
 - the balance between investment in continuous and campaign-based digital activity;
 - the balance of investment in different interactive communications tools.

Table 9.5 provides a summary of the strengths and weaknesses of the tools discussed in this chapter.

Table 9.5 Summary of the strengths and weaknesses of different communications tools for promoting an online presence

Promotion technique	Main strengths	Main weaknesses
Search engine optimisation (SEO)	Highly targeted, relatively low cost compared to PPC. High traffic volumes if high volume of search intent and is SEO	Requires significant ongoing investment in content marketing and due to intense competition, complexity and changes to

	effective. Considered credible by searchers	ranking algorithm. Investment won't necessarily guarantee returns and top-three position in results needed for volume
Pay-per-click (PPC) marketing	Highly targeted to reach audience when searching for products or solutions. Controlled cost of acquisition. Can extend reach and remarket using the display network	Relatively costly in competitive sectors, particularly where others are paying 'over the odds' lower volumes compared with organic visits
Online PR	Relatively low cost and good targeting. Can assist with SEO through creation of backlinks	Identifying online influencers and setting up partnerships can be time-consuming. Need to invest in content marketing to encourage sharing
Affiliate marketing	Performance marketing approach of payment is by results (e.g. 5 per cent of sale or leads goes to referring site)	Only relevant for businesses with online sales. Costs of payments to affiliate networks for setup and management fees. Changes to ranking algorithm have reduced volume from affiliates using search
Online sponsorship	Most effective if low-cost, long-term co-branding arrangement with synergistic site	May increase awareness, but does not necessarily lead directly to sales
Interactive advertising	Reach audience through publishers and social networks to gain awareness and encourage click-through, including through retargeting. But, also has a role in branding	Response rates have declined historically because of 'banner blindness'

	through media-multiplier effect. New 'native advertising' formats based on content can be more effective	
Email marketing	Push medium – can't be ignored in user's inbox (compared to social updates). Can be used for direct-response link to website	Requires opt-in for effectiveness. Better for customer communications than for acquisition since can't buy prospect lists. Inbox cut-through – message diluted among other emails. Limits on deliverability
Social media marketing, viral and word-of-mouth marketing	With an effective viral agent, possible to reach a large number at relatively low cost. Influencers in social networks can be significant and existing customers can be used for advocacy. Paid advertising options may be effective.	Difficult to create powerful viral concepts and control targeting. Reduced organic reach means that Facebook requires payments to reach audiences. Risks damaging brand since unsolicited messages may be received
Traditional offline advertising (TV, print, etc.)	Larger reach than most online techniques and sometimes more cost-effective. Greater creativity possible, leading to greater impact	Targeting arguably less easy than online. Typical high cost of acquisition, but more cost-effective local options may be available

Exercises

Self-assessment exercises

1. Briefly explain and give examples of the main online promotion techniques.
2. Explain the different types of payment model for display and programmatic advertising.
3. Which factors are important in governing a successful display

advertising campaign?

4. How can a company promote itself through a search engine?
5. Explain the value of social media marketing to gaining awareness.
6. How can online PR help to promote a new product?
7. How should websites be promoted offline?
8. What do you think the relative importance of these Internet-based advertising techniques would be for an international chemical manufacturer:
 - a display advertising;
 - b paid search marketing;
 - c affiliate marketing?

Essay and discussion questions

1. How should companies evaluate the relevance and effectiveness of the digital media channels discussed in this chapter to their organisation?
2. Discuss the merits of the different models of paying for display advertisements on the Internet for both media owners and companies placing advertisements.
3. Explain the factors that control the position of a company's products and services in the search engine results pages of a search engine such as Google.
4. Compare the effectiveness of different methods of online advertising, including programmatic display advertisements, paid search marketing and affiliate marketing.

Examination questions

1. Give three examples of digital media channels and briefly explain their communications benefits.
2. Describe four different types of site on which online display advertising for a car manufacturer's site could be placed.
3. Click-through is one measure of the effectiveness of online advertising.
 - a What is 'click-through'?

- b Which factors are important in determining the click-through rate of a banner advertisement?
 - c Is click-through a good measure of the effectiveness of online advertising?
4. What is meant by co-branding? Explain the significance of co-branding.
 5. What are 'meta tags'? How important are they in ensuring a website is listed in a search engine?
 6. Name three alternative types of email marketing that can be used for customer acquisition.
 7. Briefly evaluate the strengths and weaknesses of affiliate marketing for a well-known retailer.
 8. Which techniques can be used to promote a website in offline media?

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Weblinks

General digital media channel-related email newsletters and portals

- **ClickZ Experts** (www.clickz.com/experts). Has columns on email marketing, email marketing optimisation and email marketing case studies.
- **Econsultancy.com** (www.econsultancy.com). Best-practice sections on different e-communications tools.
- **Marketing Sherpa** (www.marketingsherpa.com). Articles and links on online marketing communications including examples of email and online advertising.
- **Smart Insights** (www.smartinsights.com). Advice on best practice and the latest updates on all digital marketing channels covered in this chapter, edited by Dave Chaffey.

Email-related advice sites

- **Direct Marketing Association UK** (www.dma.org.uk). Best-practice guidelines and benchmarks of response rates.
- **Email Experience Council** (www.emailexperience.org). A US organisation with compilations of practical tips on email marketing.

Affiliates and aggregator advice sites

- **AM Navigator** (www.amnavigator.com/blog). Advice on managing affiliate programmes from Geno Prussakov.
- **Performance Marketing Association** (<https://thepma.org/>). An advocacy group for affiliate marketing based in the US.
- **PerformanceIN** (<https://performancein.com>). An online magazine and events company focusing on affiliate marketing.

Digital advertising

- **DoubleClick** (www.google.com/doubleclick/insights/research.html). Google-owned ad-serving and tracking provider with research about consumer behaviour and optimising ad effectiveness.

- **US Internet Advertising Bureau** (www.iab.net). The widest range of studies about Internet advertising effectiveness. In UK: www.iabuk.net.
- **World Advertising Research Centre** (www.warc.com). Mainly subscription service, but some free **resources**.
- **Real-time advertising academy** (<http://rtaacademy.com/>) Free video tutorials explaining the principles of programmatic in detail.

Search-engine-related links

- **Google Search Console** (www.google.com/webmasters). Provides a useful set of tools for sites verified by their owners including index inclusion, linking and ranking for different phrases in different locations.
- **Moz** (www.moz.com). Formerly focusing exclusively on SEO, but now broadened to Content Marketing and other inbound marketing techniques. The most popular site globally with SEO specialists. Includes Open Site, Explorer tool and Chrome extension for reviewing backlinks.
- **Search Engine Land** (www.searchengineland.com). A blog resource covering the latest developments in search marketing. The sister site, Marketing Land (www.marketingland.com), is recommended for a broader audience.
- **Webmasterworld** (www.webmasterworld.com). A forum where search practitioners discuss best practice.

Viral marketing/Word-of-mouth research sites

- **Mashable** (www.mashable.com). Site focusing on developments and statistics related to social networks.
- **Word-of-mouth marketing association** (www.womma.org). A US-orientated community of word-of-mouth marketing specialists.

Chapter 10

Evaluation and improvement of digital channel performance

Chapter at a glance

Main topics

- Performance management for digital channels
- Content management process
- Responsibilities for customer experience and site management

Case study

Case study 9: Learning from Amazon's culture of metrics

Learning objectives

After reading this chapter, you be able to:

- Understand terms and tools used to measure and improve digital marketing effectiveness
- Develop an appropriate process to collect measures for digital marketing effectiveness
- Identify the activities necessary when managing digital activities and content.

Questions for marketers

Key questions for marketing managers related to this chapter are:

- How do I measure and improve the effectiveness of digital marketing?
- How much resource do I need to put into managing and improving our website and mobile apps, if relevant?

Links to other chapters

This chapter is related to other chapters as follows:

- [Chapter 4](#) describes the development of a digital marketing strategy. The aim of measurement is to quantify whether the objectives of this strategy have been achieved.
- [Chapter 7](#) describes issues involved in creating an effective digital experience including websites and mobile platforms, and should be read before this chapter to introduce the reader to the concepts of website management.
- [Chapter 8](#) describes methods of increasing brand awareness online. It should be read before this chapter since one aspect of measuring the effectiveness of digital marketing is aimed at assessing the different online communications methods.

Introduction

Companies that have a successful approach to digital marketing often seem to share common characteristics. They attach great importance and devote resources to monitoring the success of their online marketing, putting in place the processes to continuously improve the performance of their digital channels. This approach has been fundamental to the growth of Amazon – Case study 10 in this chapter explains its culture of metrics.

The importance of defining an appropriate approach to measurement and improvement is such that the term **web or digital analytics** has developed to describe this key digital marketing activity. A Digital Analytics Association (www.digitalanalyticsassociation.org) has been developed by vendors, consultants and researchers in this area to manage best practice. Their definition of web analytics is:

Web analytics is the measurement, collection, analysis and reporting of Internet data for the purposes of understanding and optimising web usage.

Web or digital analytics

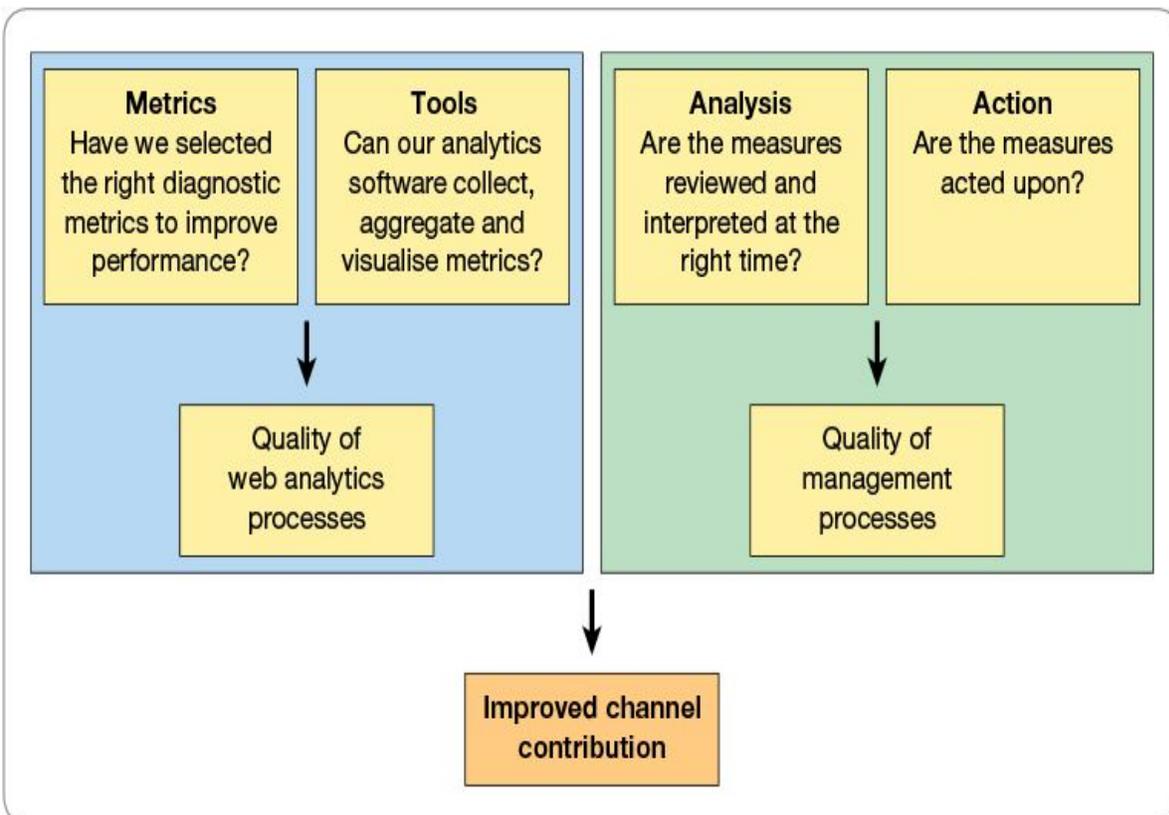
Techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction surveys, leads and sales.

You can see this is a ‘catch-all’ definition. How do you think it could be improved? We think it could reference the commercial aims of optimisation and the measurement of multi-channel usage.

To succeed in a measured approach to improving results from Internet marketing we suggest that there are four main organisational prerequisites, which are broken down as shown in [Figure 10.1](#) into the quality of the web analytics processes, including defining the right improvement measures and purchasing the right tools, and the management processes – such as putting in place a process where staff review results and then modifying their marketing activities accordingly.

This chapter is in two parts – the first part is about performance management, where we review the approach to improving performance through assessing appropriate measures, tools and the right process to apply them, as suggested by [Figure 10.1](#). In the second part, we review some of the issues involved with maintaining an online presence, looking at the tools and processes for improving different company web presences.

Figure 10.1 Key questions in evaluating process, metrics and tools for improving the contribution of digital marketing within an organisation



Essential digital skills: Evaluating digital marketing effectiveness

Evaluation skills to review and improve digital marketing using analytics are in high demand since digital marketing has great potential to be data-driven and employers are looking for data analysis skills.

We recommend you develop these skills:

- Analyse digital marketing effectiveness using relevant measures, particularly for digital media, website customer journeys and content effectiveness.
- Understand how to use digital marketing analytics systems such as Google Analytics and Adobe Analytics and data visualisation tools such as Google Data Studio, Tableau or open source statistical analysis tool 'R'.
- Know how to run structured experiments such as AB Testing to improve site effectiveness.
- Understand how different types of marketing technology can be used for measuring and improving customer engagement.

Practical ideas to boost employability by showcasing your interests and experiences include:

- Access the Google Analytics Demo Account to understand how Google Analytics is structured.
- Show how you have used Google Analytics or AB testing to improve marketing effectiveness.
- Demonstrate that you understand the essential measures needed on a digital marketing dashboard.
- Set up and run a blog as an example of using a web-hosted content management system, e.g. [Wordpress.com](https://www.wordpress.com). Set up Google Analytics on this blog.

To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at: <http://bit.ly/smartdigiskills>.

Performance management for digital channels

To improve results for any aspect of any business, performance management is vital. As Bob Napier, chief information officer at, Hewlett-Packard, was reported to have said back in the 1960s, 'You can't manage what you can't measure'. The processes and systems intended to monitor and improve the performance of an organisation are known by business operations researchers as **performance management systems** and are based on the study of **performance measurement systems**.

Performance management system

A process used to evaluate and improve the efficiency and effectiveness of an organisation and its processes.

Performance measurement system

The process by which metrics are defined, collected, disseminated and actioned.

Today, nearly all organisations have some form of online presence, but the questions highlighted in [Figure 10.1](#) aren't answered adequately. So, a good starting point is to understand the current improvement process and the organisational barriers that prevent a suitable improvement process.

In this section, we will review approaches to performance management by examining three key elements of a digital marketing measurement system. These are, first, the *process* for improvement, second, the measurement framework that specifies groups of relevant **digital marketing metrics** and, finally, an assessment of the suitability of tools and techniques for collecting, analysing, disseminating and actioning results. We will review three stages of creating and implementing a performance management system.

Digital marketing metrics

Measures that indicate the effectiveness of digital marketing activities integrated across different channels and platforms in meeting customer, business and marketing objectives.

Stage 1: Creating a performance management system

The essence of *performance management* is suggested by the definition for performance *measurement* used by Andy Neely and co-workers of Cranfield School of Management's Centre for Business Performance. They defined performance measurement as (Neely *et al.*, 2002):

the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data.

Performance management extends this definition to the process of analysis and actioning change in order to drive business performance and returns. Online marketers can apply many of the approaches of business performance

management to digital marketing by using digital analytics tools such as Google Analytics or Adobe Analytics. Yet, although most businesses have set up these services on their websites, in particular the free version of Google Analytics, a process is still needed to utilize the data and tools for performance management. As you can see from the definition, performance is measured primarily through information on process **effectiveness** and **efficiency**, as introduced in [Chapter 4](#) in the section on objective setting, where we noted that it is important to include both effectiveness and efficiency measures.

Effectiveness

Meeting process objectives, delivering the required outputs and outcomes, ‘doing the right thing’.

Efficiency

Minimising resources or time needed to complete a process, ‘doing the thing right’.

The need for a structured performance management process is clear when we examine the repercussions if an organisation does not have one. These include: poor linkage of measures with strategic objectives or even absence of objectives; key data not collected; data inaccuracies; data not disseminated or analysed; or no corrective action. Many of the barriers to improvement of measurement systems reported by respondents in Adams *et al.* (2000) also indicate the lack of an effective process. The barriers can be grouped as follows:

- **Senior management myopia:** performance measurement not seen as a priority, not understood or targeted at the wrong area – reducing costs rather than improving performance.
- **Unclear responsibilities:** for delivering and improving the measurement system.
- **Resourcing issues:** lack of time (perhaps suggesting lack of staff motivation), the necessary technology and integrated systems.
- **Data problems:** data overload or of poor quality, limited data for benchmarking.

The Digital Analytics Association (2017) survey of analytics professionals reports these as the most popular analytics functions:

- reporting and dashboard visualisation (82%);

- analysis of past performance (80%);
- optimising website functionality and conversion (67%);
- optimising campaign performance (67%);
- AB and multivariate testing (52%).

You can see that analysts are involved both with reporting and optimisation of digital experiences and campaigns. Predictive metrics of future performance were relatively low (35 per cent). Analytics challenges reported by analysts most commonly related to data integration and accuracy:

- data access/data silos (22%);
- incomplete data (16%);
- inaccurate data (16%);
- inadequate analytics tools (10%)

To avoid these pitfalls, a coordinated, structured measurement process such as that shown in [Figure 10.2](#) is required. [Figure 10.2](#) indicates four key stages in a measurement process. These were defined as key aspects of annual marketing plan control by Kotler (1997). Stage 1 is a goal-setting stage where the aims of the measurement system are defined – this will usually take the strategic digital marketing objectives as an input to the measurement system. The aim of the measurement system will be to assess whether these goals are achieved and specify corrective marketing actions to reduce variance between target and actual key performance indicators. Stage 2, performance measurement, involves collecting data to determine the different metrics that are part of a measurement framework, as discussed in the next section. Stage 3, performance diagnosis, is the analysis of results to understand the reasons for variance from objectives and selection of marketing solutions to reduce variance.

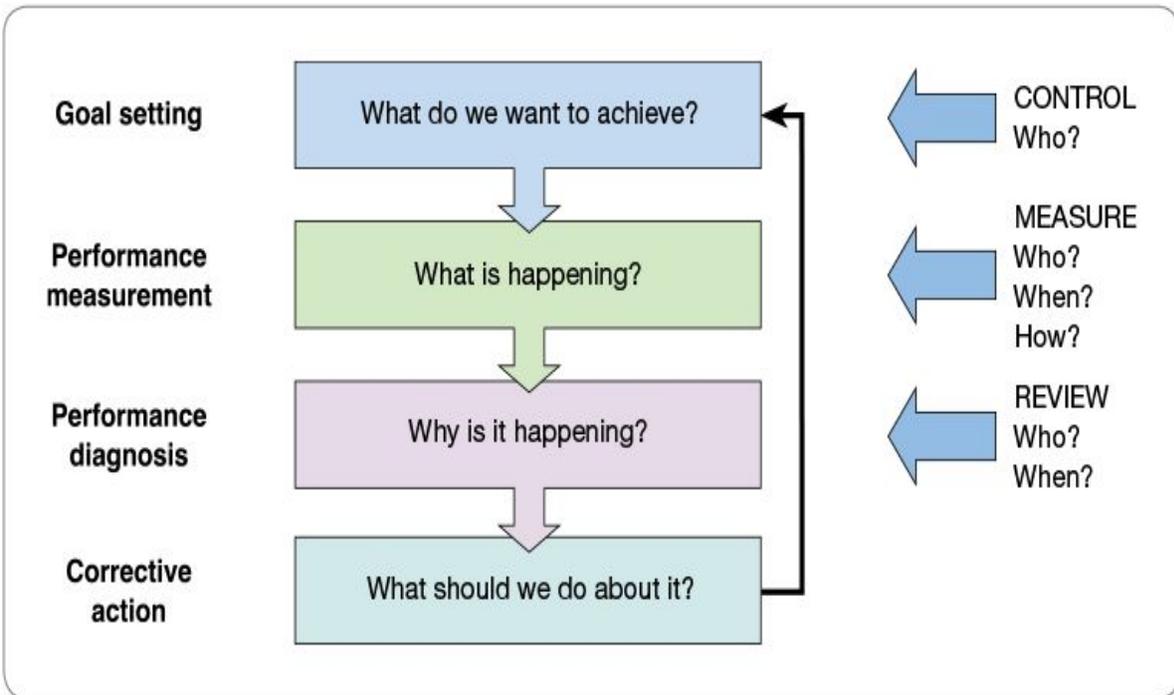
In a digital marketing context, Stage 4, corrective action, is the implementation of these solutions as updates to content, design, ongoing marketing communications and CRO. After this stage the continuous cycle repeats, possibly with modified goals.

Stage 2: Defining the performance metrics framework

Measurement for assessing the effectiveness of digital marketing should assess the contribution of digital marketing at different levels:

1. Are business objectives defined in the digital marketing strategy being met?
2. Are marketing objectives plans achieved?
3. Are marketing communications objectives achieved?

Figure 10.2 A summary of the performance measurement process



These measures can also be related to the different levels of marketing control specified by Kotler (1997). These include strategic control (question 1), profitability control (question 1), annual-plan control (question 2) and efficiency control (question 3).

Efficiency measures are more concerned with minimising the costs of online marketing while maximising the returns for different areas of focus, such as acquiring visitors to a website, converting visitors to outcome or achieving repeat business.

Chaffey (2000) suggested that organisations define a measurement framework or create a management dashboard that defines groupings of specific metrics used to assess digital marketing performance. He suggested that suitable measurement frameworks will fulfil these criteria:

- Include macro-level effectiveness metrics that assess whether strategic goals are achieved and indicate to what extent digital marketing

contributes to the business (revenue contribution and return on investment).

- Include micro-level metrics that assess the efficiency of digital marketing tactics and implementation. Such measures are often referred to as *performance drivers*, since achieving targets for these measures will assist in achieving strategic objectives. Digital marketing performance drivers help optimise online marketing by attracting more site visitors and increasing conversion to desired marketing outcomes. These achieve the marketing efficiency control specified by Kotler (1997). The research by Agrawal *et al.* (2001), who assessed companies on metrics defined in three categories of attraction, conversion and retention as part of an e-performance scorecard, uses a combination of macro- and micro-level metrics.
- Assess the impact of digital marketing on the satisfaction, loyalty and contribution of key stakeholders (customers, investors, employees and partners) as suggested by Adams *et al.* (2000).
- Enable comparison of performance of different digital channels with other channels as suggested by Friedman and Furey (1999).

The framework can be used to assess e-marketing performance against competitors' or out-of-sector best practice.

When identifying metrics it is common practice to apply the widely used SMART mnemonic and it is also useful to consider three levels – business measures, marketing measures and specific digital marketing measures (see the objective-setting section in [Chapter 4](#)).

[Figure 10.3](#) shows a framework of measures, which can be applied to a range of different companies. The groupings of measures remain relevant; although they are centred on sites or online presence, measures for engagement with social media should also be considered. In [Chapter 4](#), we also reviewed two alternative frameworks (see [Tables 4.6](#) and [4.9](#)) that can also be used for creating a performance dashboard.

Channel promotion

These measures evaluate the volume, quality and value of where the website, social presence or mobile site visitors originate – online or offline – and what are the sites or offline media that prompted their visit. Web analytics can be used to assess which intermediary sites customers are referred from (**[the referrer](#)**) and which keywords they typed into search engines when trying to

locate product information. Similar information on referrer is not typically available for visits to social media sites. Promotion is successful if traffic meets objectives of volume, quality, value and cost (as explained in [Chapter 8](#)). Quality will be determined by whether visitors are in the target market and have a propensity for the service offered (through reviewing conversion (online or offline), bounce rates and cost of acquisition for different referrers).

Channel promotion

Measures that assess why customers visit a site – which adverts they have seen, which sites they have been referred from.

Referrer

The site that a visitor previously visited before following a link.

Key measure

Referral mix. For each referral source such as paid search or display ads it should be possible to calculate:

- percentage of all referrals or sales (and influence in achieving sale last click or assist);
- cost-per-acquisition (CPA) or cost-per-sale (CPS);
- contribution to sales or other outcomes.

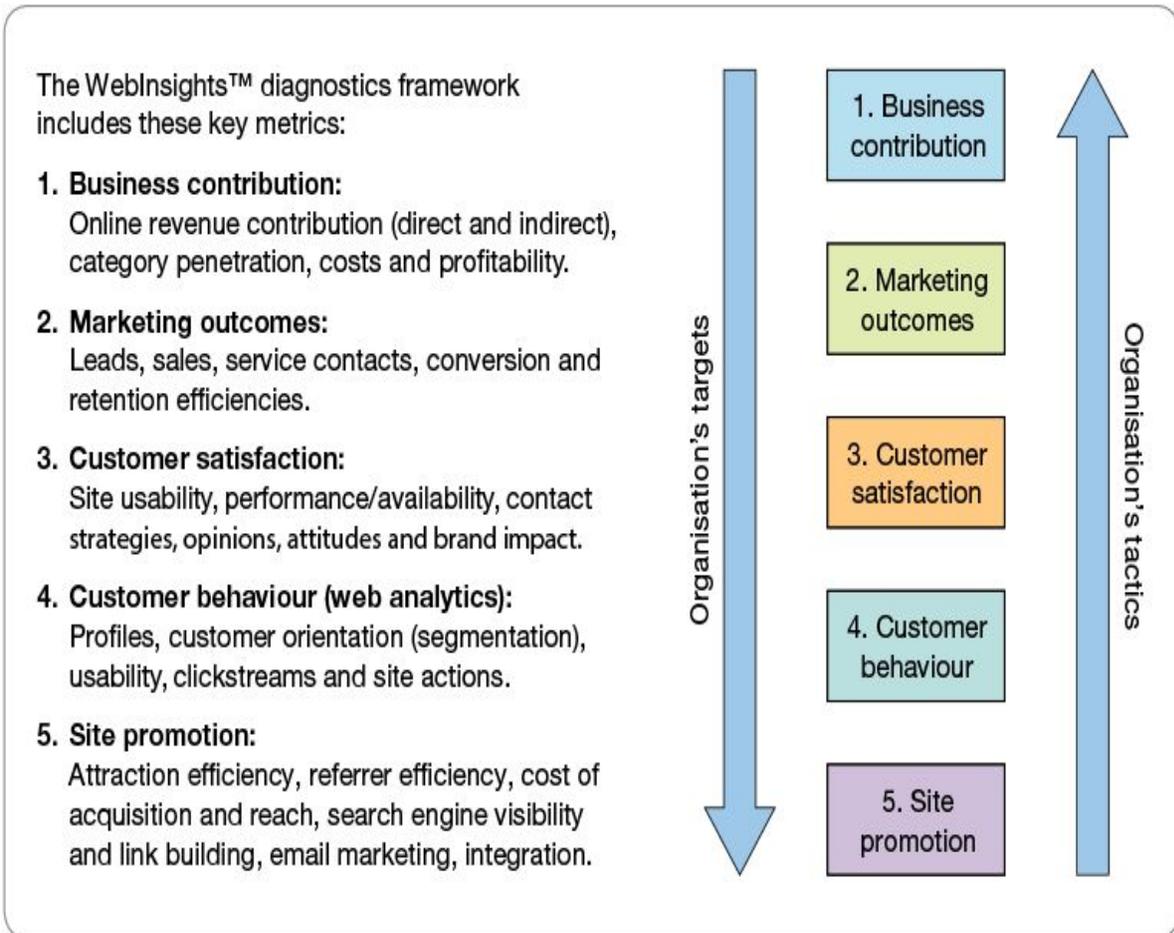
Channel buyer behaviour

Once customers have been attracted to the site we can monitor content accessed, when they visit and how long they stay, and whether this interaction with content leads to satisfactory marketing outcomes such as new leads or sales. If visitors are incentivised to register on-site it is possible to build up profiles of behaviour for different segments. Segments can also be created according to visitor source and content accessed. It is also important to recognise return visitors based on cookies set on a previous visit or times of login. In [Chapter 6](#) we saw how hurdle rates can be used to assess activity levels for return visits, e.g. 30 per cent of customers return to use the online service within 90 days.

Channel buyer behaviour

Describes which content is visited and the time and duration.

Figure 10.3 The five diagnostic categories for digital marketing measurement



Key ratios

- Bounce rates for different pages, i.e. proportion of single page visits.
- Home page views/all page views, e.g. 20 per cent = (2,000/10,000).
- **Stickiness**: page views/visitor sessions, e.g. 2 = 10,000/5,000.
- Repeats: visitor sessions/visitors, e.g. 20 per cent = 1,000/5,000.

Stickiness

An indication of how long a visitor stays on-site.

Channel satisfaction

Customer satisfaction with the online experience is vital in achieving the desired channel outcomes. Online research methods such as online questionnaires, focus groups and interviews can be used to assess customers' opinions of the website content and customer service and how it has affected overall perception of brand. Benchmarking services such as Foresee (www.foreseeresults.com), based on the American Customer Satisfaction Index methodology, are published for some industries. These assess scores based on the gap between expectations and actual service.

Channel satisfaction

Evaluation of the customer's opinion of the service quality on the site and supporting services such as email.

Key measure

Customer satisfaction indices. These are discussed in [Chapter 7](#) and include ease of use, site availability and performance, and email response. To compare customer satisfaction with other sites, benchmarking services can be used.

Channel outcomes

Traditional marketing objectives such as number of sales, number of leads, **conversion rates** and targets for customer acquisition and retention should be set and then compared to other channels. Dell Computer (www.dell.com) records on-site sales and also orders generated as a result of site visits, but placed by phone. This is achieved by monitoring calls to a specific phone number unique to the site.

Channel outcomes

Record of customer actions taken as a consequence of a visit to a site.

Conversion rate

Percentage of site visitors who perform a particular action such as making a purchase.

Key marketing outcomes include:

- registration to site or subscriptions to an email newsletter;

- requests for further information such as a brochure or a request for a call-back from a customer service representative;
- responding to a promotion such as an online competition;
- an offline (phone or store) lead or sale influenced by a visit to the site;
- a sale on-site.

Key measure

- Channel contribution (direct and indirect).

A widely used method of assessing channel outcomes is to review the conversion rate, which gives an indication of the percentage of site visitors who take a particular outcome. For example:

- Conversion rate, visitors to purchase = 2 per cent (10,000 visitors, of which 200 make purchases).
- Conversion rate, visitors to registration = 5 per cent (10,000 visitors, of which 500 register).

A related concept is the **attrition rate**, which describes how many visitors are lost at each step of a conversion funnel from landing page to checkout. [Figure 10.4](#) shows that, for a set time period, only a proportion of site visitors will make their way to product information, a small proportion will add an item to a basket and a smaller proportion still will actually make the purchase. A key feature of e-commerce sites is that there is a high attrition rate between a customer adding an item to a basket and subsequently making a purchase. Reasons for this may include usability problems, fears about security or because customers are browsing products with the intention of buying them offline or in another channel.

Attrition rate

Percentage of site visitors lost at each stage in making a purchase.
--

Channel profitability

A contribution to business profitability is always the ultimate aim of e-commerce. To assess this, leading multichannel companies set an online contribution target of achieving a certain proportion of sales via the channel. Assessing contribution is more difficult for a company that cannot sell products

online, but the role of the Internet in influencing leads and purchase should be assessed. Discounted cash flow techniques are used to assess the rate of return over time.

Channel profitability

The profitability of the website, taking into account revenue and cost and discounted cash flow.

Multichannel evaluation

The frameworks we have presented in this chapter are explained in the context of an individual channel, but with the contribution of the channel highlighted as percentage sales or profitability. But as Wilson (2008) has pointed out, there is a need to evaluate how different channels support each other. Wilson says:

Traditional metrics have been aligned to channels, measuring resource input or leads in at one end and the value of sales generated by the channel at the other end. For companies that have been operating in a single channel environment, this might have been relatively efficient – but it no longer works when the organisation diversifies to a multichannel approach.

Figure 10.4 Potential reasons for causing attrition on an e-commerce site

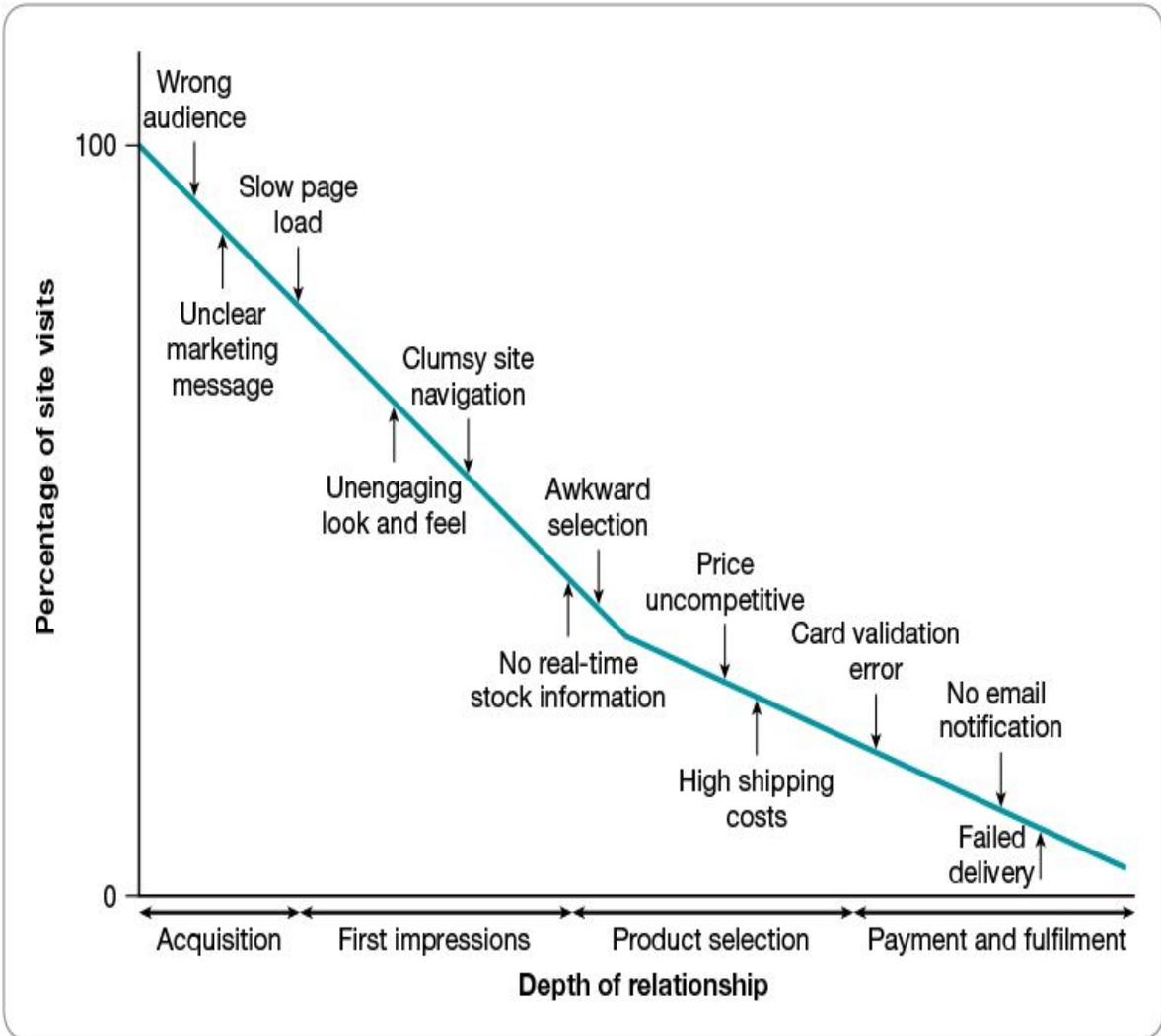


Figure 10.5 Multichannel performance scorecard example for a retailer

Results (6) <ul style="list-style-type: none"> • Revenue • Multichannel contribution • Degree multichannel sells up • Costs per channel • Degree of sweating assets • Multichannel infrastructure costs 	Customers & stakeholders (5) <ul style="list-style-type: none"> • Overall customer satisfaction • Customer propensity to defect • Customer propensity to purchase • Customer perception of added value • Integration of customer experience
Core processes (3) <ul style="list-style-type: none"> • Productive multichannel usage • Price (relative to competitors/other channels) • Quality of integrated customer view 	People and knowledge (4) <ul style="list-style-type: none"> • Staff satisfaction • Appropriate behaviours 'Living the brand' • Willingness to diversify/extend the brand • Knowledge of target customer

Source: Wilson (2008) [Activity 10.1](#)

He suggests the most important aspect of multichannel measurement is to measure 'channel cross-over effects'. This involves asking, for example: 'How can the impact of a paid search campaign be measured if it is as likely to generate traffic to a store, salesforce or call centre as to a website?' and 'How can the impact of a direct mail campaign be tracked if it generates website traffic as well as direct responses?'

An example of a balanced scorecard-style dashboard developed to assess and compare channel performance for a retailer is presented in [Figure 10.5](#).

Stage 3: Tools and techniques for collecting insight, running processes and summarising results

Organisations need to select the most appropriate tools for collecting and reporting metrics that meet requirements, such as reporting of marketing performance, accuracy, analysis and visualisation tools, integration with other marketing information systems (import, export and integration using XML standards), ease of use, configuration (e.g. creation of custom dashboards and email alerts), support quality, cost of purchase, configuration and ongoing support.

Techniques to collect metrics include the collection of site-visitor activity data such as that stored in web analytics systems such as Google Analytics and Adobe Analytics and in site log files; and the collection of metrics about outcomes such as online sales or email enquiries and traditional marketing research techniques such as questionnaires and focus groups, which collect information on the customer's experience on the website. We start by describing methods for collecting site-visitor activity data and then review more traditional techniques of market research.

Selecting a martech stack for a business

Since the creation of the web, many marketing and digital marketing technology services have been created that provide insight for the marketer on marketing effectiveness and also enable them to run marketing operational processes to deliver more relevant messages to audiences. Collectively these are now called 'marketing technology' (martech for short). Many of these are now cloud-based software as service tools (SaaS) that don't require software to be installed within a business, but the insight and management controls are accessed via a browser. For example, Google Analytics enables businesses to measure their website effectiveness and also test and personalise experiences with Google Optimize. Likewise, content management systems for editing content are now accessed via browsers and contain insight on engagement with content, with options to personalise experiences.

There are now thousands of potential martech tools that businesses can use, as identified by Scott Brinker (Brinker, 2017). This presents a challenge to businesses that want to take advantage of the insight, but only want to select a limited number of tools and integrate the data from them. It can be difficult for newcomers to digital marketing to understand which are the best types of solution and whether they are worthwhile beyond the main website analytics systems such as Google Analytics or Adobe Analytics, which also include dashboards. Complete [Activity 10.1](#) to explore the types of insight tools and operational marketing technology available to marketers today.

Activity 10.1: Reviewing the range of martech and digital insight tools

Purpose

To review how different types of insight can be harnessed to improve digital marketing.

Activity

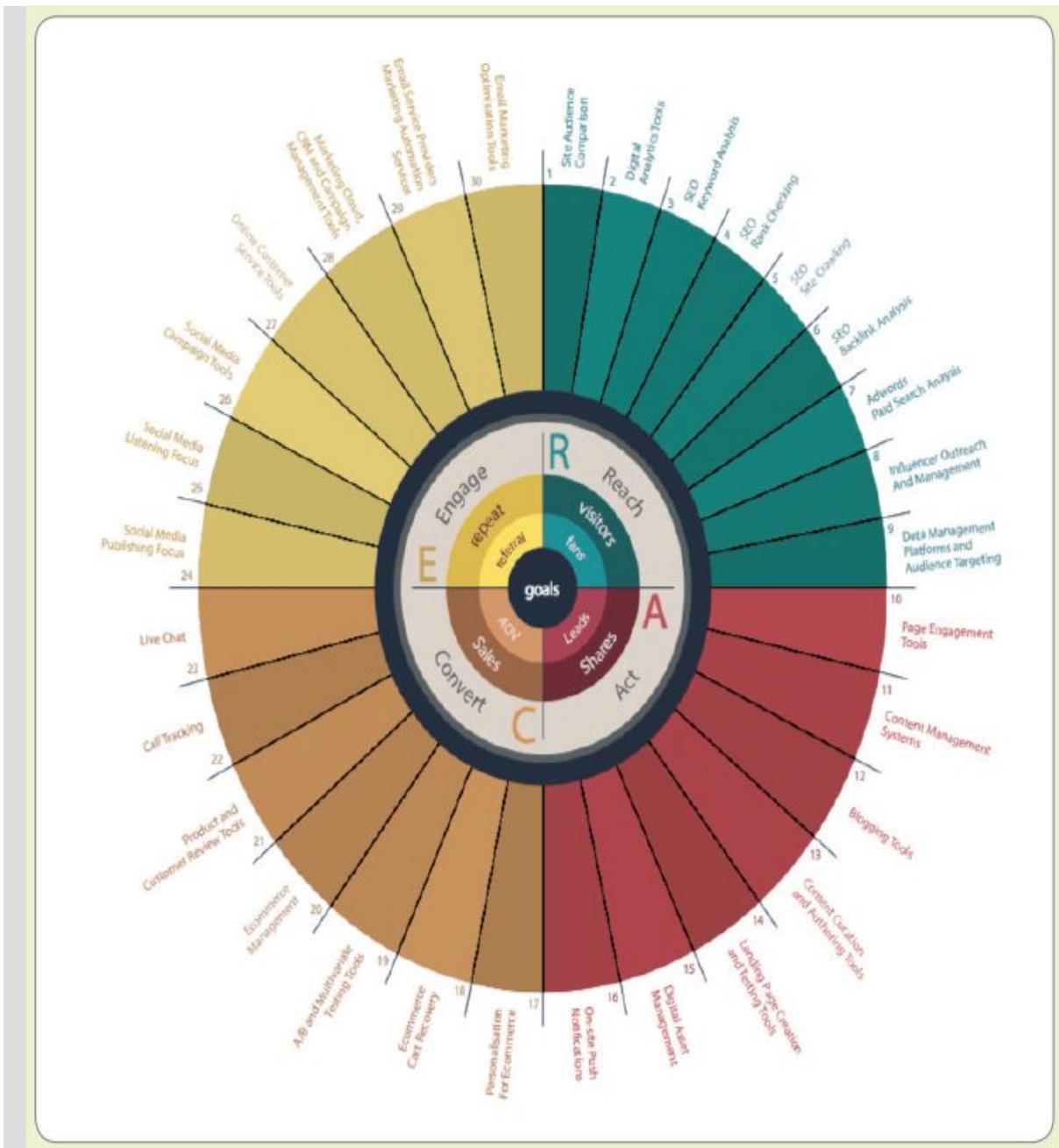
1. Review the Digital Marketing Tools wheel shown in [Figure 10.6](#) and the infographic categorising 5,000 tools created by Brinker (2017) to gain an idea of the range of insight tools available.
2. Split up your groups so that you select a range of different types of business, e.g. small business, retailer, financial services, travel company, B2B service and consumer brand.
3. For your selected business use a tool such as [BuiltWith.com](#), SimilarTech or the Chrome extension Wapalyzer to see the martech installed.
4. Visit the full infographic containing examples of the tools at <http://bit.ly/smartdigital> tools and discuss and categorise the tools by importance for a small business, choosing one of these options:

A: Essential

B: Useful for optimisation

C: Less valuable for smaller businesses.

Figure 10.6 Thirty categories of martech and insight tools structured across the customer lifecycle



Source: Smart Insights (2017)

For example, categories 2 (Digital Analytics), 11 (Content Management systems) and 29 (email service providers) could all be seen as essential for all businesses.

The concept of a **martech stack** has grown out of the categorisation of marketing technology based on Scott Brinker’s landscape and the Smart Insights tools wheel. Businesses have always considered their portfolio of different types of business IT applications for operations such as finance,

logistics and marketing, but traditionally they have been controlled by IT teams who have managed a limited number of ‘enterprise resource planning’ systems such as SAP. With the growth in cloud-based SaaS, it has become far easier for individual departments, and in particular marketing, who need to manage many digital marketing channels such as search and social media marketing, to deploy their own solutions.

Martech stack

A combination of different software services or tools used to run all marketing operations across multiple channels including customer acquisition, conversion, retention, team communications and to deliver customer and market insight and reporting.

As businesses have deployed more martech services, the need to manage and integrate them has been highlighted. Many companies simply select individual marketing technologies to meet immediate operational needs of managing their marketing. This can quickly lead to a proliferation of tech within a company that gives these potential ‘martech sins’, almost all giving rise to a lack of integration. Potential, common problems include:

- **No long-term plan for martech.** A haphazard approach of implementing different tools for different functions, sometimes referred to as ‘Random Acts of Technology’, RAT.
- **Insufficient rigour when evaluating martech.** To select the most suitable technology requires the time for a structured review by someone who is experienced in IT or software selection and business case development. If the time or skills aren’t available for this, then the strength of the vendors claims may sway the decision without sufficient trial of solutions on operational processes.
- **Technology solutions from different vendors aren’t integrated.** With multiple tools, data silos can develop where you can’t extract or combine data from different applications without manual export processes.
- **Data is inconsistent.** A single customer view or ‘360 degree view of the customer’ is an aspiration for most businesses, but the reality is often that data in different analysis systems will report different values, so there is no ‘single version of the truth’.
- **Customer journeys can’t be tracked across channels.** Customer journeys are now more complex than ever before, with a proliferation of digital marketing channels adding to traditional offline channels that

remain important for most businesses. Then there are cross-device journeys as customers consume content on mobile and desktop devices.

- **New martech isn't rolled-out with sufficient updates to training and process.** While the appeal of cloud-based SaaS is that they can often be installed by simply tagging the site with relevant javascript, the reality is that far more is involved. Consider Google Analytics. In our experience, many have it running on their site, yet have not customised it, run training or put in place the changes to review and reporting processes needed to get the most from it.
- **Return on marketing technology isn't reviewed.** We have mentioned that the business case for adoption isn't sufficiently defined. The other side of this is that the loop isn't closed, so that, post adoption, the effectiveness of martech in improving marketing operations and results isn't considered. Often there are errors in deployment that can lead to inaccuracies in data quality, which can hinder the performance of marketing.

Collecting website visitor activity data

Site-visitor activity data captured in web analytics systems records the number of visitors on the site and the paths or clickstreams they take through the site as they visit different content. The terms used to measure visitor activity are summarised.

Site-visitor activity data

Information on content and services accessed by e-commerce site visitors.

In the early days of Internet marketing, in the mid-1990s, this information was typically collected using log files. The server-based log file is added to every time a user downloads a piece of information (a **hit**) such as a page or image within the page. These are no longer used by most organisations, although they may be used for technical reviews of server load and search robot crawling.

Hit

Recorded for each graphic or text file requested from a web server. It is not a reliable measure for the number of people viewing a page.

Despite their usage by some poorly informed commentators in the media, hits are not a useful measure of website effectiveness since if a page consists of ten

graphics, plus text, this is recorded as 11 hits. **Page impressions or page views** and **unique visitors** are better measures of site activity. Auditing companies such as ABC electronic (www.abc.org.uk), which audit sites for the purpose of proving the number of visitors to a site to advertisers, use unique visitors and page impression as the main measures.

Page impression

A more reliable measure than a hit, denoting one person viewing one page. Also known as page view.

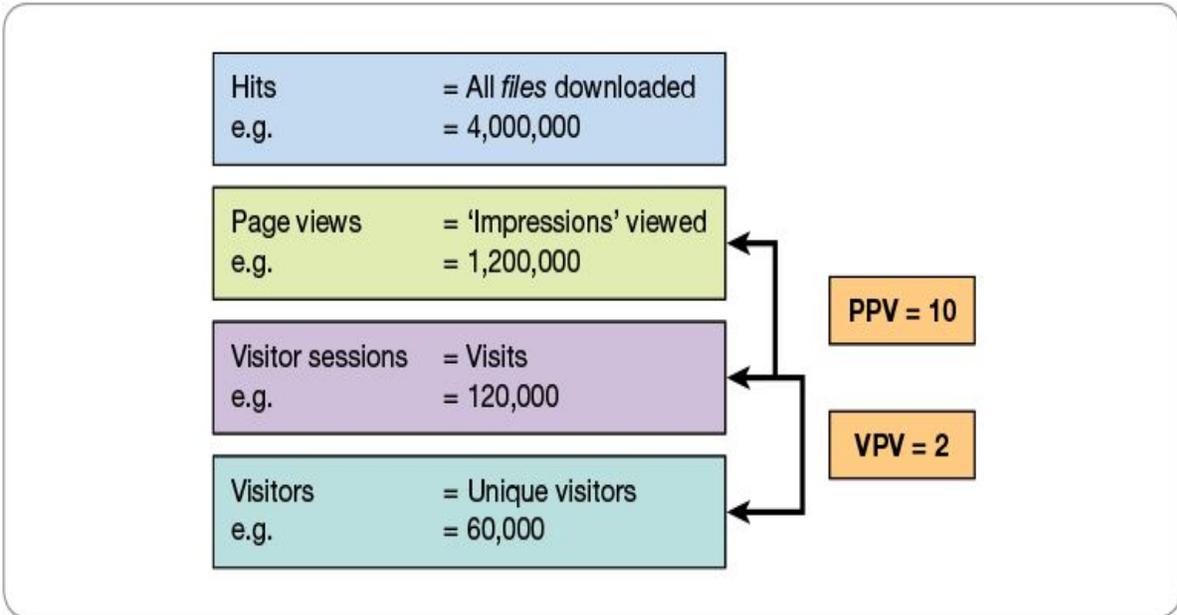
Unique visitors

Individual visitors to a site measured through cookies or IP addresses on an individual computer.

An example of visitor volume to a website using different measures based on real, representative data for one month is presented in [Figure 10.7](#). You can see how hits are much higher than page views and unique visitors and are quite misleading in terms of the ‘opportunities to see’ a message. We can also learn from the ratio between some of these measures – the figure indicates:

- **Pages per visit (PPV).** This is the average number of pages viewed per visitor to a site (this is indicative of engagement with a site since the longer a visitor stays on a ‘sticky site’, the higher this value will be). PPV is a more accurate indication of stickiness than duration on a site in minutes since this figure is skewed upwards by visitors who arrive on a site and are inactive before their session times out at 30 minutes.
- **Visits per (unique) visitor (VPV).** This suggests the frequency of site visits. Readers will realise that this value is dependent on the period that data are collected over. These data are reported for a month, during which time one would not expect many returning visitors. So it is often more relevant to present these data across a quarter or a year.

Figure 10.7 Examples of different measures of visitor volume to a website



Digital marketing insight 10.1: Focus on measuring social media marketing

Social media marketing has its own range of specialist measures that can appear confusing, but are best understood in the context of a combination of website and PR measures. These show the volume, quality, sentiment and value of interactions. Analyst Altimeter (2010) has created a useful framework (shown in [Figure 10.8](#)) that helps map out different social media measures in the context of level of business management.

You can see that there are three levels of KPIs:

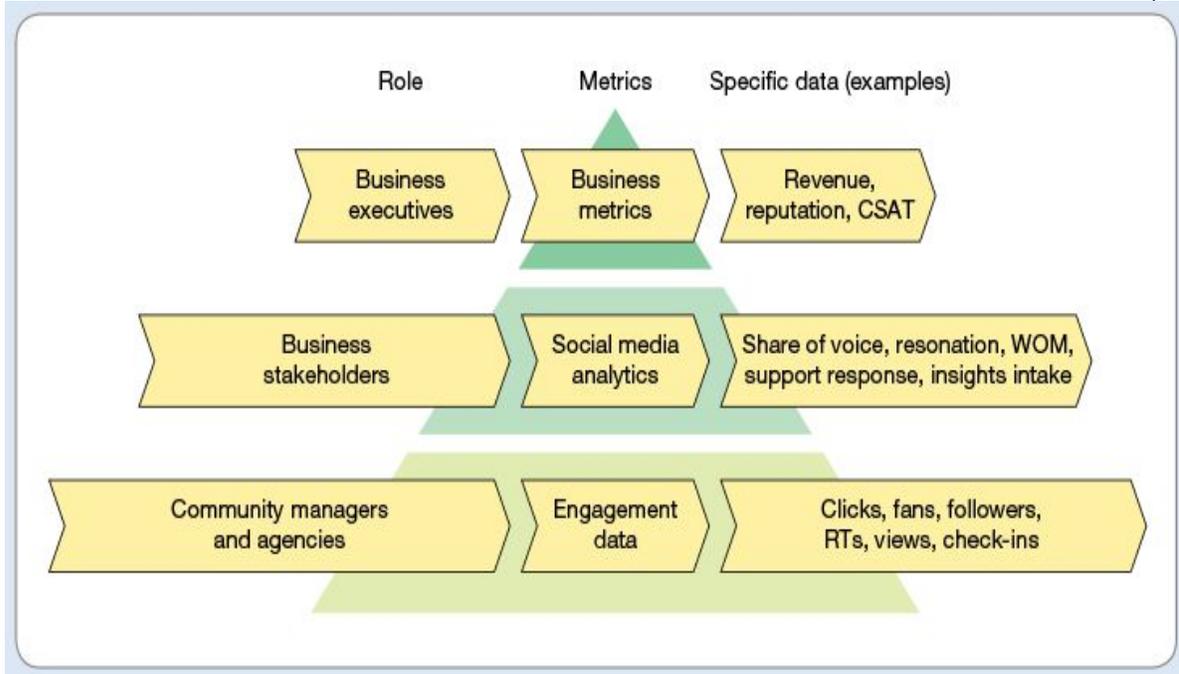
- **Business-level KPIs to measure contribution from social media.** These KPIs include contribution to revenue through direct sales attributed to social media. Softer measures include reputation and customer satisfaction (CSAT).
- **Reach and influence KPIs to review reach, share-of-voice and sentiment.** These show the relative comparison of a brand's reach.
- **Engagement KPIs to manage social media.** These are the easiest measures to collect, but the least valuable since they don't directly show contribution to business value. Although easy to collect, data on interaction with social sites is often supplied separately by the owners of the different social presence and tools for managing social interaction.

A new class of social analytics tools have been created to bring this data together. [Figure 10.9](#) shows an example from the social media management tool Hootsuite, where sharing of shortened URLs linking to different social media sites has driven traffic back to a main website. Direct traffic is where visitors click direct through from a social media messaging application such as Hootsuite or Tweetdeck™ to the site.

A common question within social media is how to assess the value of a consumer connecting with a brand, by liking on Facebook or following on Twitter. Since the tracking of social media can't show what an individual does on the network, specific value is difficult to

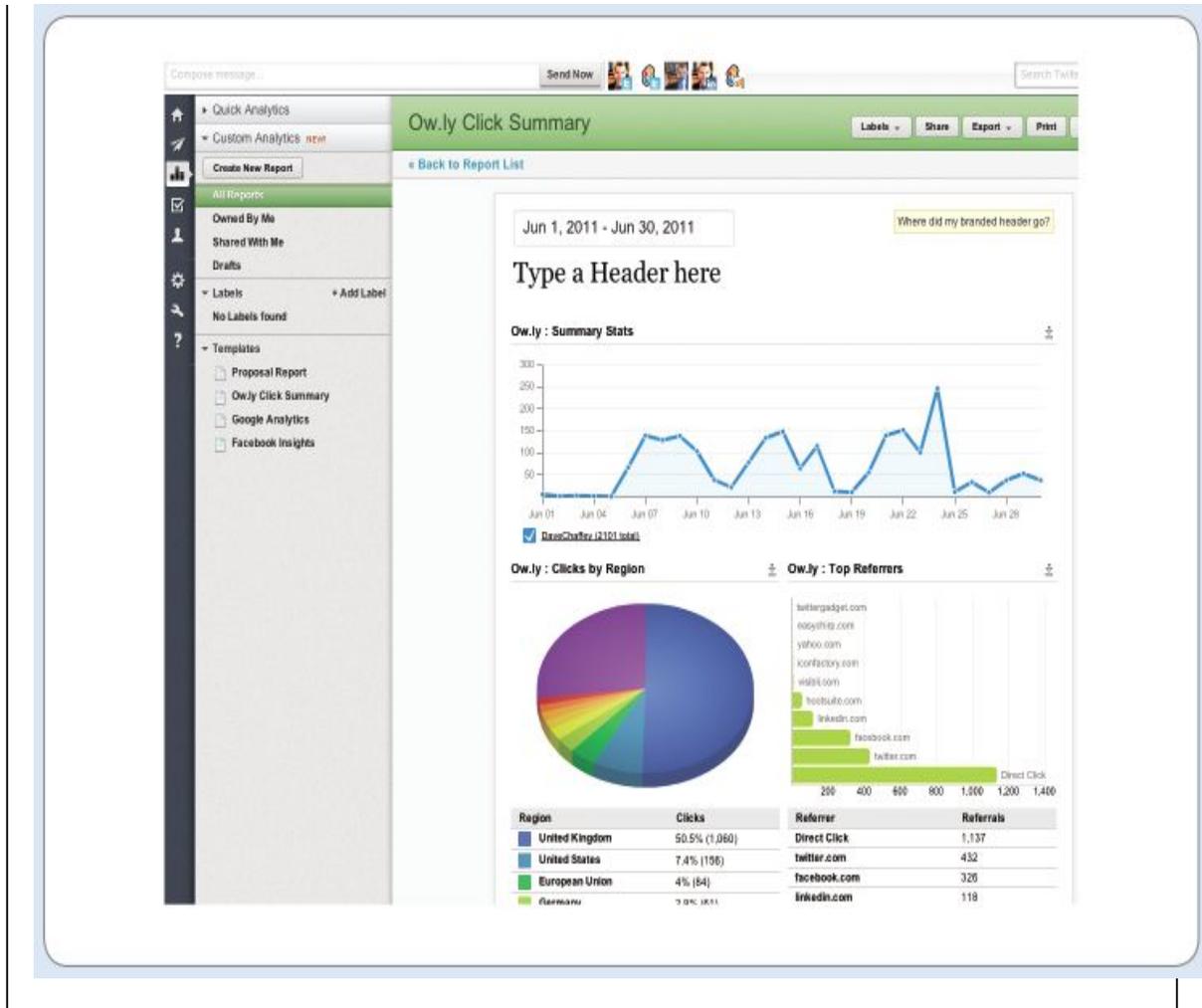
establish. Instead, what we can assess is the relative purchase rates of visitors from social media sites to websites compared to other channels using measures such as conversion rate and revenue per visitor.

Figure 10.8 A framework for different measures used to evaluate and manage social media marketing



Source: Altimeter (2010) with permission (Creative Commons)

Figure 10.9 Example of measure from Hootsuite application for measuring social media marketing



Other information giving detailed knowledge of customer behaviour that can be reported by any web analytics package includes:

- top pages;
- entry and exit pages;
- path or clickstream analysis showing the sequence of pages viewed;
- country of visitor origin (actually dependent on the location of their ISP);
- browser and operating system used;
- referring URL and domain (where the visitor came from).

Design for analysis

Measurement is often highlighted as an issue once the first version of a site has been ‘up and running’ for a few months, and employees start to ask questions such as ‘How many customers are visiting our site, how many sales are we

achieving as a result of our site and how can we improve the site to achieve a return on investment?'. The consequence of this is that performance measurement is something that is often built into an online presence retrospectively. Preferable is if a technique known as **design for analysis (DFA)** is designed into the site so companies can better understand the types of audience and their decision points. For example, for Dell (www.dell.com), the primary navigation on the home page is by customer type. This is a simple example of DFA since it enables Dell to estimate the proportion of different audiences to its site and, at the same time, connect them with relevant content.

Design for analysis (DFA)

The required measures from a site are considered during design to better understand the audience of a site and their decision points.

Other examples of DFA include:

- breaking up a long page or form into different parts, so you can see which parts people are interested in;
- a URL policy (see [Chapter 8](#)) used to recommend entry pages for printed material;
- group content by audience type or buying decision and setting up content groups of related content within web analytics systems;
- measuring attrition at different points in a customer journey, e.g. exit points on a five-page buying cycle;
- a single exit page to linked sites.

Structured experiments using AB and multivariate testing

Often site owners and marketers reviewing the effectiveness of a site will disagree and the only method to be certain of the best-performing design or creative alternatives is through designing and running experiments to evaluate the best to use. Matt Round, then director of personalisation at Amazon, speaking at the e-metrics summit in 2004, said the Amazon philosophy (described further in Case study 10) is:

Data trumps intuition.

AB testing and multivariate testing are two measurement techniques that are now available to any company through free services such as Google Optimize, which can be used to review website effectiveness to improve results.

AB testing

In its simplest form, A/B or **AB testing** refers to testing two different versions of a page or a page element such as a heading, image or button. Some members of the site are served alternately, with the visitors to the page randomly split between the two pages. Hence it is sometimes called ‘live split testing’. The goal is to increase page or site effectiveness against key performance indicators including click-through rate, conversion rates and revenue per visit. To review the effectiveness of new variants, knowledge of statistical significance confidence levels is needed since increases in success indicators could be misleading if they are only small variations or a decision is taken too early. There are specialist services for running AB tests such as Optimizely™ (www.optimizely.com), Convert™ (www.convert.com) and Unbounce™ (www.unbounce.com). Alternatively, businesses can use the free *Optimize* AB testing service available in Google Analytics. These services all advise on statistical significance – for example, reporting a winner at the 95 per cent confidence level.

AB testing

A/B or AB testing refers to testing two different versions of a page or a page element such as a heading, image or button for effectiveness. The alternatives are served alternately with the visitors to the page randomly split between the two pages. Changes in visitor behaviour can then be compared using different metrics such as click-through rate on page elements like buttons or images, or macro-conversion rates, such as conversion to sale or sign-up.

When completing AB testing, new ‘challenger’ pages are compared to an existing baseline or **control page** (or audience sample). Two new alternatives can be compared to a control page, which is known as an ABC test. Different page elements that can be varied to improve page effectiveness are shown in [Table 10.1](#).

Control page

The page against which subsequent optimisation will be assessed. Typically a current landing page. When a new page performs better than the existing control page, it becomes the control page in subsequent testing. Also known as ‘champion-challenger’.

An example of the power of AB testing is an experiment Skype performed on its main topbar navigation, where it found that changing the main menu options ‘Call Phones’ to ‘Skype Credit’ and ‘Shop’ to ‘Accessories’ gave an increase of

18.75 per cent revenue per visit (Skype was speaking at the 2007 e-metrics summit). That's significant when you have hundreds of millions of visitors! It also shows the importance of being direct with navigation and simply describing the offer available rather than the activity.

Multivariate testing

Multivariate testing is a more sophisticated form of AB testing that enables simultaneous testing of pages for different combinations of page elements that are being tested. This enables selection of the most effective combination of design elements to achieve the desired goal.

An example of a multivariate test is shown in [Mini case study 10.1](#).

Table 10.1 AB test example

Test	A (Control)	B (Test page)
Test 1	Original page	New headline, existing button, existing body copy
Test 2	Original page	Existing headline, new button, existing body copy
Test 3	Original page	Existing headline, existing button, new body copy

Mini case study 10.1: Multivariate testing at National Express Group increases conversion rates

National Express™ is one of the most recognised transport brands in the UK. The distinctive white coaches are in operation daily, visiting one of the company's 1,000 destinations. They are part of the wider National Express Group, which employs 41,000 people worldwide with coach services in Spain, Morocco, North Africa, Bahrain and North America and train services in the UK and Germany.

A significant proportion of ticket bookings are made online through the company's website at www.nationalexpress.com/.

The company used multivariate testing service Maxymiser from Oracle to run an experiment to improve conversion rates of a fare-selection page that was the penultimate step in booking. The analysis team identified a number of subtle alterations to content and calls-to-action on

the page with the aim of stimulating visitor engagement and driving a higher percentage of visitors through to successful conversion without changing the structure of the page or the National Express brand identity. In order to aid more effective up-sell to insurance add-ons, changes to this call-to-action were also proposed.

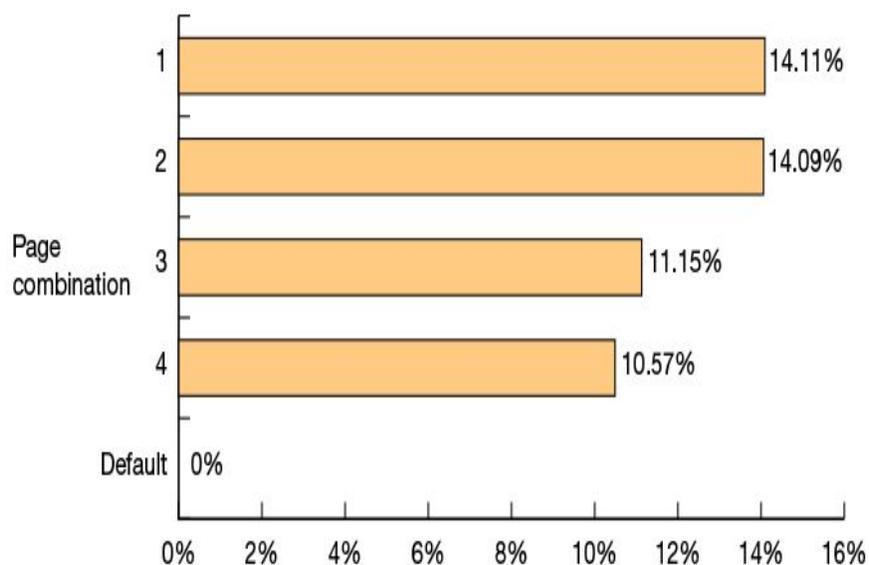
It was decided that a multivariate test would be the most effective approach to determine the best performing combination of content. The variants jointly developed by Maxymiser and the client were tested with all live site visitors and the conversion rate of each combination monitored; 3,500 possible page combinations were tried, and during the live test the underperforming combinations were taken out to maximise conversion rates at every stage.

At the end of the testing period, after reaching statistical validity, results gave the best combination of elements, showing a 14.11 per cent increase in conversion rates for the page – i.e. 14.11 per cent more visitors were sent through to the fourth and final step in the registration process, immediately hitting bottom-line revenue for National Express ([Figure 10.10](#)).

Figure 10.10 Results of multivariate testing for National Express

Content combination	Maxybox A	Maxybox B	Maxybox C	Maxybox D	Maxybox E	Lift on control
1	Variant 3	Variant 2	Variant 4	Variant 3	Variant 1	14.11%
2	Variant 3	Variant 3	Variant 4	Default	Default	14.09%
3	Variant 6	Variant 3	Variant 4	Default	Default	11.15%
4	Variant 3	Variant 3	Variant 2	Default	Variant 3	10.57%
Default content	Variant 3	Variant 2	Default	Default	Default	0.00%

Conversion rate uplift by page combination:



Source: Oracle Marketing Cloud Customer Success Story, <https://www.oracle.com/marketingcloud/customers/success-stories/national-express.html> (accessed May 2018)

Running and managing structured tests

Every test should have a hypothesis, for example:

If I do ‘X’ I think it will improve ‘Y’

Often improvements will relate to conversion rates, but we may measure other metrics on a page such as bounce rate.

Your analysis should lead you to the areas of the on-site customer journey that you think have the greatest issues and scope to deliver the greatest improvements. So, the process of running structured tests involves identifying page types and page elements that are most likely to yield improvements.

Clickstream analysis and visitor segmentation

Clickstream analysis refers to detailed analysis of visitor behaviour in order to identify improvements to the site. Each web analytics tool differs slightly in its reports and terminology, but all provide similar reports to help companies assess visitor behaviour and diagnose problems and opportunities. [Table 10.2](#) gives an indication of the type of practical questions asked by web analyst and consultant Dave Chaffey (www.smartinsights.com) when reviewing clients' sites.

Table 10.2 A summary of how an analyst will interpret web analytics data. The letters 'GA' represent Google Analytics (www.google.com/analytics), one of the most widely used tools

Analyst question	Typical web analytics report terminology	Diagnosis analyst used to improve performance
How successful is the site at achieving engagement and outcomes?	Conversion goals (GA) Bounce rates (GA) Pages/visits (GA)	Is engagement and conversion consistent with other sites in sector? What are maximum engagement and conversion rates from different referrers?
Where are visitors entering the site?	Top entry pages Top landing pages (GA)	How important is home page compared to other page categories and landing pages? Does page popularity reflect product popularity? Review messaging/conversion paths are effective on these pages?

<p>What are the sources of visitors (referrers)?</p>	<p>Referrers Traffic sources Filters set up to segment visitors</p>	<p>Assess source of traffic, in particular keywords from search engines, and apply elsewhere</p> <p>Are the full range of digital media channels relevant for a company represented?</p> <p>Is the level of search engine traffic consistent with the brand reputation?</p> <p>What are the main link partners driving free traffic (potential for more)?</p>
<p>What is the most popular content?</p>	<p>Top content (GA)</p>	<p>Is page popularity as expected?</p> <p>Are there problems with findability caused by navigation labelling?</p> <p>Which content is most likely to influence visitors to outcome?</p> <p>Which content is most popular with returning visitors segment?</p>
<p>Which are the most popular findability methods?</p>	<p>Site search (GA)</p>	<p>How popular are different forms of navigation, e.g. top menu, sidebar menus, etc?</p> <p>What are the most popular searches?</p> <p>Where do searches tend to start?</p> <p>Are they successfully finding content or converting to sale?</p>
<p>Where do visitors leave the site?</p>	<p>Top exit pages (GA)</p>	<p>Are these as expected (home page, About Us page, transaction completion)?</p> <p>Are there error pages (e.g. 404 not found) that cause visitors to leave?</p>
<p>Which clickstreams are taken?</p>	<p>Path analysis Top paths (GA)</p>	<p>How can attrition in conversion funnels be improved?</p> <p>What does forward path analysis</p>

	show are the most effective calls-to-action? What does reverse path analysis indicate about the pages that influence sales?
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Path analysis

Aggregate clickstreams are usually known within web analytics software as forward or reverse paths. This is a fairly advanced form of analysis, but the principle is straightforward – you seek to learn from the most popular paths.

Viewed at an aggregate level across the site through ‘top paths’ type reports, this form of clickstream analysis often doesn’t appear that useful. It highlights, typically, paths that are expected and can’t really be influenced. The top paths are often:

- Home page: Exit
- Home page: Contact Us: Exit
- News page: Exit.

Clickstream analysis becomes more actionable when the analyst reviews clickstreams in the context of a single page – this is **forward path analysis** or **reverse path analysis**.

Forward path analysis

Reviews the popularity of subsequent clicks that occur from a page. This form of analysis is most beneficial from important pages such as the home page, product and directory pages. Use this technique to identify messaging/navigation combinations that work best to yield the most clicks from a page.

Reverse path analysis

Reverse path analysis indicates the most popular combination of pages and/or calls-to-action that lead to a page. This is particularly useful for transactional pages such as the first checkout page on a consumer site; a lead generation or contact us page on a business-to-business site; an email subscription page or a call-me-back option.

On-site search effectiveness

On-site search is another crucial part of clickstream analysis on many sites since it is a key way of finding content, particularly in retail e-commerce sites, so a detailed search analysis will pay dividends. Key search metrics to consider are:

- number of searches;
- average number of searches per visitor or searcher;
- percentage of searches returning zero results;
- percentage of site exits from search results;
- percentage of returned searches clicked;
- percentage of returned searches resulting in conversion to sale or other outcome;
- most popular search terms – individual keywords and keyphrases.

Visitor segmentation

Segmentation is a fundamental marketing approach, but it is often difficult within web analytics to relate customer segments to web behaviour because the web analytics data isn't integrated with customer or purchase data.

However, all analytics systems have a capability for a different but valuable form of segmentation where it is possible to create specific filters or profiles to help understand one type of site visitor behaviour. Examples of segments include:

- First-time visitors or returning visitors.
- Visitors from different referrer types, including:
 - strategic search keyphrases, brand keyphrases, etc.;
 - display advertising.
- Converters against non-converters.
- Geographic segmentation by country or region (based on IP addresses).
- Type of content accessed, e.g. are some segments more likely to convert? For example, speaking at Ad Tech London '06, MyTravel reported that it segments visitors into:
 - site flirt (two pages or fewer);
 - site browse (two pages or more);
 - saw search results;
 - saw quote;
 - saw payment details;
 - saw booking confirmation details.

Strategic data

Performance management systems for senior managers will give the big picture presented as scorecards or dashboards showing trends in contribution of digital channels to the organisation in terms of sales, revenue and profitability for different products. [Figure 10.11](#) summarises Operational, Tactical and Strategic options for reviewing performance.

Marketing research using the Internet and digital media

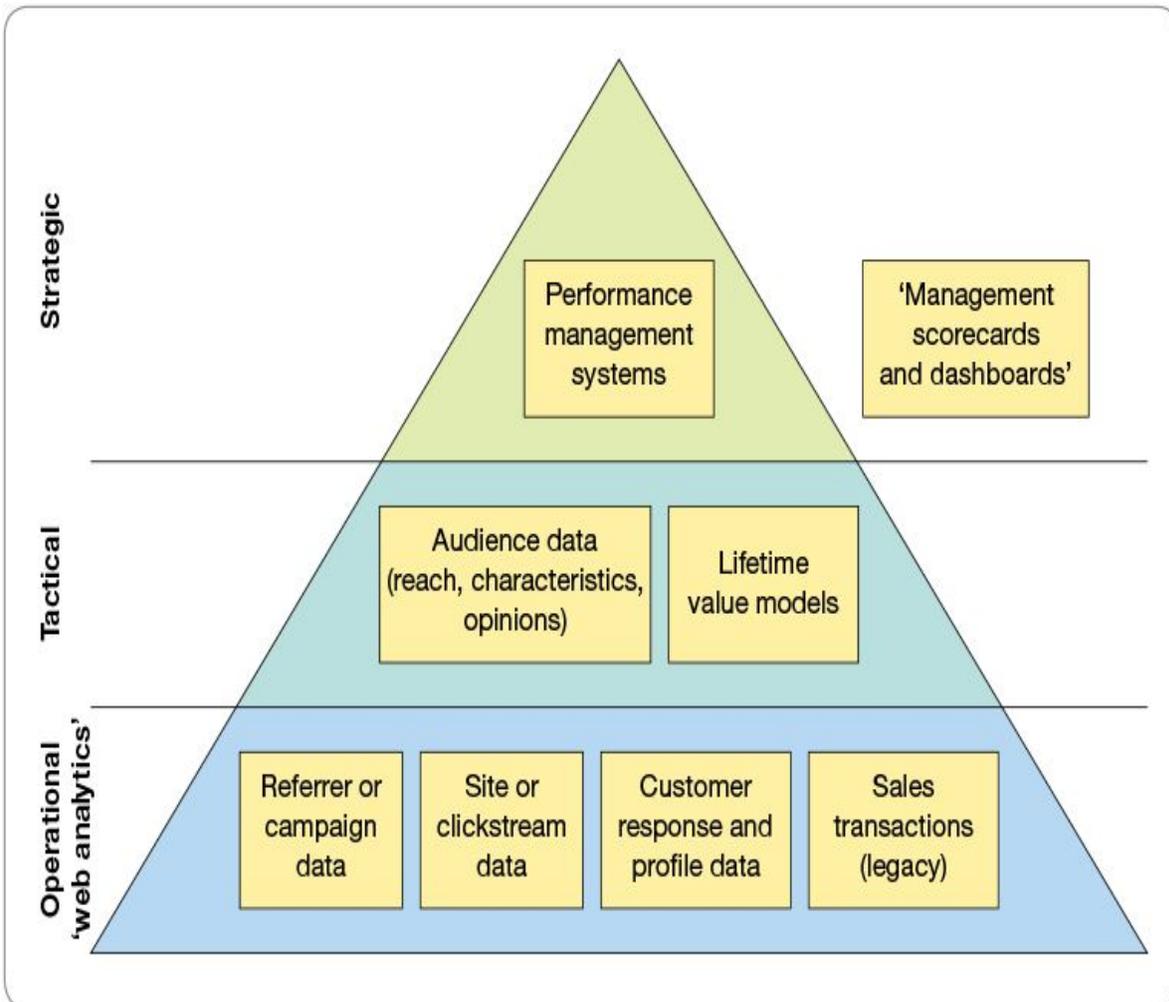
Internet-based marketing research can help determine the influence of a website and related communications on customer perception of the company and its products and services. But it also has wider applications of gaining feedback from customers about a brand and how it could develop in future. Smart Insights (2010) identifies these five different classes of online feedback tools:

1. **Website feedback tools.** Provide a permanent facility for customers to give feedback by prompts on every page. They are run continuously to enable continuous feedback, including ratings on page content and also products and services.
2. **Site-user intent-satisfaction surveys.** These tools measure the gap between what the user had hoped to do on the site and what they actually achieved. We gave the example of 4Qs in [Chapter 7](#) that covers four questions to assess site effectiveness.
3. **Crowdsourcing product-opinion software.** These are broader than web feedback, enabling customers to comment about potential new services. This is the approach used by Dell in the IdeaStorm (www.ideastorm.com).
4. **Simple page or concept feedback tools.** Again, a form of crowdsourcing, these tools give feedback from an online panel about page layout, messaging or services.
5. **General online survey tools.** Tools such as Zoomerang® (www.zoomerang.com) and Survey-Monkey™ (www.surveymonkey.com) enable companies to survey their audience at a low cost.

Internet-based market research

The use of online questionnaires and focus groups to assess customer perceptions of a website or broader marketing issues.

Figure 10.11 Different types of data within a performance management system for Internet marketing



The full options for conducting survey research include interviews, questionnaires and focus groups, as summarised in [Table 10.3](#). Each of these techniques can be conducted offline or online.

We will now briefly review the strengths and weaknesses of the different research techniques and some approaches to best practice.

Questionnaires and surveys

Malhotra (1999) suggested that Internet surveys using questionnaires would increase in popularity since the cost is generally lower, they can be less intrusive and they have the ability to target specific populations. Register *et al.* (2014) confirmed that Internet surveys are fast becoming the preferred mode for

survey delivery as they afford researchers convenient use of design options such as ‘forced answering’ (FA) that can virtually eliminate item non-response error.

However, a recent review of the technique by Stern *et al.* (2014) shows that the Internet has failed to deliver in terms of response rates and it can be more challenging to get a representative sample. Questionnaires often take the form of pop-up surveys. The key issues are:

A Encouraging participation. Techniques that can be used are:

- interruption on entry – a common approach where every 100th customer is prompted;
- continuous, for example ‘click on a button to complete survey’;
- on registration on-site the customer can be profiled;
- after an activity such as sale or customer support, the customer can be prompted for their opinion about the service;
- incentives and promotions (this can also be executed on independent sites);
- by email (an email prompt to visit a website to fill in a survey or a simple email survey).

B Stages in execution. It is suggested that there are five stages to a successful questionnaire survey:

- 1 attract (button, pop-up, email as above);
- 2 incentivise (prize or offer consistent with required sample and audience);
- 3 reassure (why the company is doing it – to learn, not too long and that confidentiality is protected);
- 4 design and execute (brevity, relevance, position);
- 5 follow-up (feedback).

C Design. Grossnickle and Raskin (2001) suggest the following approach to structuring questionnaires:

- easy, interesting questions first;
- cluster questions on same topic;
- flow topic from general to specific;
- flow topic from easier behavioural to more difficult attitudinal

questions;

- easy questions last, e.g. demographics or off-putting questions.

Table 10.3 A comparison of different online metrics collection and research methods

Technique	Strengths	Weaknesses
Server-based log file analysis of site activity	Directly records customer behaviour on site plus where they were referred from Low cost Gives insight on robot crawling for SEO	Not based around marketing outcomes such as leads or sales Does not directly record channel satisfaction Undercounting/overcounting Misleading unless interpreted carefully Most site analytics tools are now browser based
Browser-based site activity data	Greater accuracy than server-based analysis Counts all users, cf. panel approach	Similar weaknesses to server-based technique apart from accuracy Limited demographic information
AB and multivariate testing	Structured experiments to review influence of on-page variables (e.g. messaging and buttons) to improve conversion from a website	Often requires cost of a separate tool or module from standard web analytics package Content management systems or page templates may not support AB/multivariate testing

Panel activity and demographic data	Provides competitor comparisons Gives demographic profiling representative Avoids undercounting and overcounting	Depends on extrapolation from data-limited sample that may not be representative
Outcome data, e.g. enquiries, customer emails	Records marketing outcomes	Difficulty of integrating data with other methods of data collection when service collected manually or in other information systems
Online questionnaires (Customers are prompted randomly – every nth customer or after customer activity or by email)	Can record customer satisfaction and profiles Relatively cheap to create and analyse	Difficulty of recruiting respondents who complete accurately Sample bias – tend to be advocates or disgruntled customers who complete
Online focus groups Synchronous recording	Relatively cheap to create	Difficult to moderate and coordinate No visual cues, as from offline focus groups
Mystery shoppers Example is customers are recruited to evaluate the site, e.g. www.emysteryshopper.com	Structured tests give detailed feedback Also tests integration with other channels such as email and phone	Relatively expensive Sample must be representative

Typical questions that can be asked for determining the effectiveness of Internet marketing are:

- *Who is visiting the site?* For example, role in buying decision? Online experience? Access location and speed? Demographics segment?
- *Why are they visiting?* How often do they visit? Which information or service? Did they find it? Actions taken? (Can be determined through web analytics).
- *What do they think?* Overall opinion? Key areas of satisfaction? Specific likes or dislikes? What was missing that was expected?

Focus groups

Malhotra (1999) noted that the advantage of online focus groups is that they can be used to reach segments that are difficult to access, such as doctors, lawyers and professional people. This author also suggests that costs are lower, they can be arranged more rapidly and can bridge the distance gap when recruiting respondents. Traditional focus groups can be conducted where customers are brought together in a room and assess a website; this will typically occur pre-launch as part of the prototyping activity. Testing can take the form of random use of the site or, more usefully, the users will be given different scenarios to follow. Focus groups tend to be relatively expensive and time consuming, since rather than simply viewing an advertisement, the customers need to actually interact with the website. Conducting real-world focus groups has the benefit that the reactions of site users can be monitored; the scratch or slap of the head cannot be monitored in the virtual world!

Mystery shoppers

Real-world measurement is also important since the Internet channel does not exist in isolation. It must work in unison with real-world customer service and fulfilment. Chris Russell of eDigitalResearch (www.maruedr.com), a company that has completed online customer service surveys for major UK retailers and travel companies, says:

we also needed to make sure that the bricks-and-mortar customer service support was actually supporting what the clicks-and-mortar side was promising. There is no doubt that an e-commerce site has to be a complete customer service fulfilment picture, it can't just be one bit working online that is not supported offline.

An eMysteryShopper survey involves shoppers not only commenting on site usability, but also on the service quality of email and phone responses together with product fulfilment. Mystery shoppers test these areas:

- site usability;
- e-commerce fulfilment;
- email and phone response (time, accuracy);
- impact on brand.

Content management process

As part of the process of continuous improvement in online marketing, it is important to have a clearly defined process for making changes to the online presence of a company. If pages remain static, as is the case with some brochureware sites we still see, then the opportunity to engage customers and prospects with a brand is missed. With search engines and social media sites featuring real-time data posted in blogs, companies that have a static site are missing an opportunity to get better visibility. A static site also has a missed opportunity to make the site more effective at generating value for a business by increasing conversion rates using the AB and multivariate testing approaches we talked about in the last section.

The key to keeping a website dynamic is to have a clear content and communications strategy based on a regularly updated content or social hub, as we have seen in previous chapters. The site and content update process should be understood by all staff contributing content to the site, with their responsibilities clearly identified in their job descriptions. To understand the process, consider the main stages involved in publishing a page. A simple model of the work involved in maintenance is shown in [Figure 10.12](#). It is assumed that the needs of the users and design features of the site have already been defined when the site was originally created (as described in [Chapter 7](#)). The model only applies to minor updates to copy, or perhaps updating product or company information. The different tasks involved in the maintenance process are as follows:

1. **Write.** This stage involves writing the marketing copy and, if necessary, designing the layout of copy and associated images.
2. **Review.** An independent review of the copy is necessary to check for errors before a document is published. Depending on the size of

organisation, review may be necessary by one person or several people covering different aspects of content quality such as corporate image, copy-editing text to identify grammatical errors, marketing copy, branding and legality.

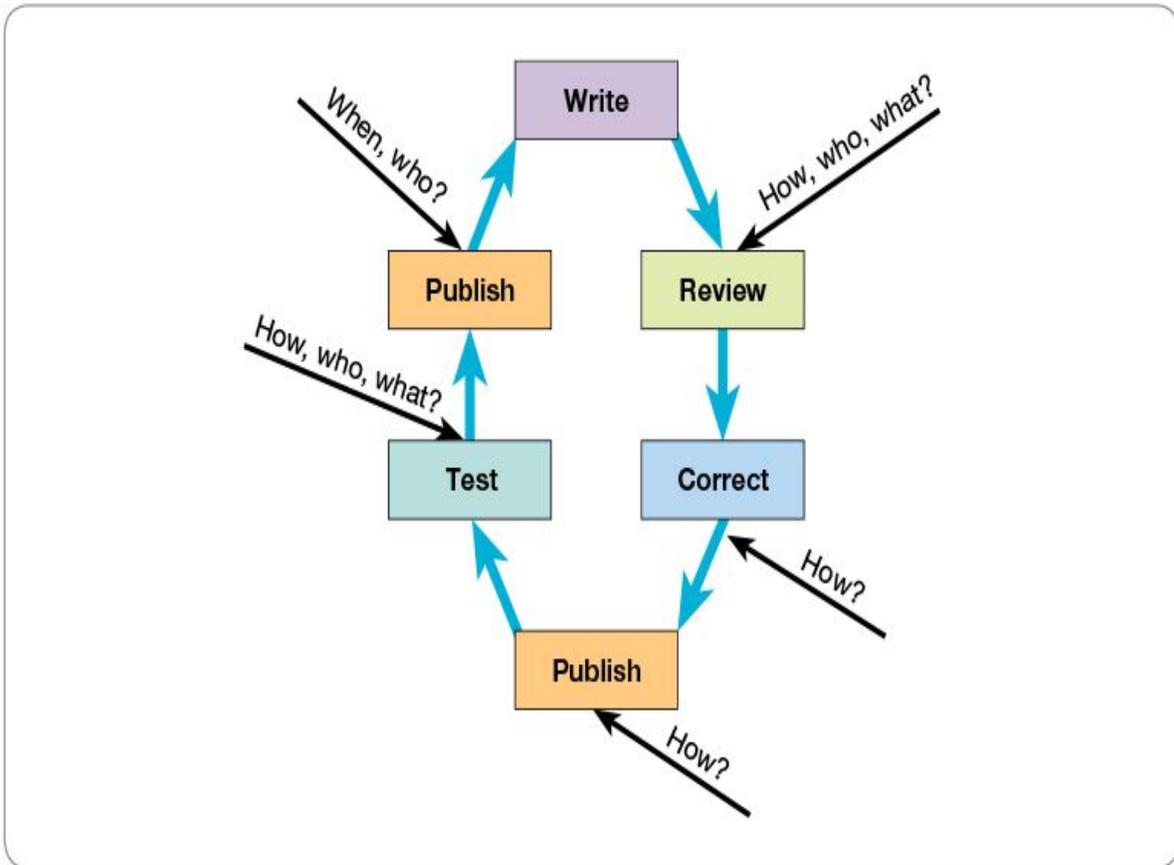
3. **Correct.** This stage is straightforward and involves updates necessary as a result of stage 2.
4. **Publish (to test environment).** The publication stage involves putting the corrected copy on a web page that can be checked further. This will be in a test environment that can only be viewed from inside the company.
5. **Test.** Before the completed web page is made available over the World Wide Web a final test will be required for technical issues, such as whether the page loads successfully on different browsers.
6. **Publish (to live environment).** Once the material has been reviewed and tested and is signed off as satisfactory, it will be published to the main website and will be accessible by customers.

How often should content be updated?

Website content needs to be up to date, in line with customer expectations. The web is perceived as a dynamic medium and customers are likely to expect new information to be posted to a site straightaway. If material is inaccurate or 'stale' then the customer may not return to the site.

After a time, the information on a web page naturally becomes outdated and will need to be updated or replaced. It is important to have both a content calendar for publishing future content and a mechanism defining what triggers this update process and leads to the cycle of [Figure 10.12](#). The need for material to be updated has several facets. Trigger procedures should be developed such that when price changes or product specifications are updated in promotional leaflets or catalogues, these changes are also reflected on the website. Without procedures of this type, it is easy for there to be errors on the website. This may sound obvious, but the reality is that the people contributing the updates to the site will have many other tasks to complete, and the website can still be a low priority.

Figure 10.12 A web document review and update process



To ensure site content remains ‘fresh’, i.e. relevant for the audience and effective for the business, it is useful to consider different types of content and their purpose. Consider, for example, different content types for an online retailer. These will include:

- **Product information:** product details on product pages and higher-level groupings of data as category pages. This includes both product descriptions and specifications that are relatively static for a given product and product pricing and availability information that is more dynamic.
- **Brand content (product brands):** content about an individual brand available, as different products may be grouped together.
- **Brand content (retailer brand):** content about the company, such as its value proposition, trust and history.
- **Promotional content:** ‘promotion’ in this context referring to information about sales and discounts.
- **Support content:** information about ordering and returns, for example.
- **Community content:** user-generated content that may be in a community area or associated with products as reviews and rating.

- **Blog content:** regularly updated content aimed at engaging customers and products, for example showing the latest fashion trends for a clothing retailer. This content may also be useful for search engine optimisation.

Now consider which factors will drive updates of different types of content. For product-related information, it will be new products and changes to pricing or availability. For promotional information, it will be seasonal promotions or other discounts agreed with suppliers. It is a relatively straightforward process to manage these types of content, but less clear for content to engage audiences such as blog-related content. For example, should a company publish one blog post a month, week, day or several per day? There is no ‘rule-of-thumb’ that helps answer this question for different sizes or types of business. Given the cost of creating content by in-house staff or external writers, a clear cost–benefit must be established to determine which update frequency is right and to determine the quality of content created. Benefits of a blog, for example, may include new or repeat visitors via social media when content is shared, or new visits from search engine optimisation. Such content may also increase conversion by increasing desire for products by showing how products are used and the benefits they give.

As part of content marketing, which requires that existing businesses must act more like publishers, an **editorial calendar** can help agree priorities and schedules for different content types.

Editorial calendar

A plan for scheduling the creation of new or updated content for different audiences to support business goals for new visitors or increased conversion as part of content marketing.

Responsibilities for customer experience and site management

Maintenance is relatively easy in a small company with a single person updating the website. Although they may be working on many tasks, one person is able to ensure that the style of the whole site remains consistent. For a large organisation with many different departments and offices in different countries, site maintenance becomes very difficult, and production of a quality site is only possible when there is strong control to establish a team who all follow the same standards. Sterne (2001) suggests that the essence of successful

maintenance is to have clearly identified responsibilities for different aspects of updating the website. The questions to ask are:

- Who owns the process?
- Who owns the content?
- Who owns the format?
- Who owns the technology?

We will now consider these in more detail, reviewing the standards required to produce a good-quality website and the different types of responsibilities involved. (Review of new site functionality is a strategic issue and was covered in [Chapter 4](#).)

Who owns the process?

One of the first areas to be defined should be the overall process for agreeing new site content and updating the site. But who agrees this process? For the large company, it will be necessary to bring together all the interested parties, such as those within the marketing department and the site developers – which may be an external agency or the IT department. Within these groupings there may be many people with an interest, such as the marketing manager, the person with responsibility for Internet or new-media marketing, a communications manager who places above-the-line advertising and product managers who manage the promotion of individual products and services. All of these people should have an input in deciding on the process for updating the website. What, then, is this process? The process will specify responsibilities for different aspects of site management and detail the sequence in which tasks occur for updating the site. A typical update process is outlined in [Figure 10.12](#). If we take a specific example we can illustrate the need for a well-defined process. Imagine that a large organisation is launching a new product – promotional literature is to be distributed to customers, the media are already available and the company wants to add information about this product to the website. A recently recruited graduate is charged with putting the information on the site. How will this process actually occur? The following process stages need to be followed:

1. Graduate reviews promotional literature and rewrites copy on a word processor and modifies graphical elements as appropriate for the website. This is the *write* stage in [Figure 10.12](#).

2. Product and/or marketing manager reviews the revised web-based copy. This is part of the *review* stage in [Figure 10.12](#).
3. Corporate communications manager reviews the copy for suitability. This is also part of the *review* stage in [Figure 10.12](#).
4. Legal adviser reviews copy. This is also part of the *review* stage in [Figure 10.12](#).
5. Copy revised and corrected and then re-reviewed as necessary. This is the *correct* stage in [Figure 10.12](#).
6. Copy converted to web format and then published. This will be performed by a technical person such as a site developer, who will insert a new menu option to help users navigate to the new product. This person will add the HTML formatting and then upload the file using FTP to the test website. This is the first *publish* stage in [Figure 10.12](#).
7. The new copy on the site will be reviewed by the graduate for accuracy, and needs to be tested on different web browsers and screen resolutions if it uses a graphical design different from the standard site template. This type of technical testing will need to be carried out by the webmaster. The new version could also be reviewed on the site by the communications manager or legal adviser at this point. This is part of the *test* stage in [Figure 10.12](#).
8. Once all interested parties agree the new copy is suitable, the pages on the test website can be transferred to the live website and are then available for customers to view. This is the second *publish* stage in [Figure 10.12](#).

Note that in this scenario, review of the copy at stages 2 to 4 happens before the copy is actually put onto the test site at stage 6. This is efficient in that it saves the technical person or webmaster having to update the page until the copy is agreed. An alternative would be for the graduate to write the copy at stage 1 and then the webmaster publishes the material before it is reviewed by the various parties. Each approach is equally valid.

Content management systems with workflow capabilities are now commonly used to help achieve review of page updates. Revised copy for a page can be automatically emailed to all reviewers and then the comments received by email can be collated.

To conclude this section, refer to [Activity 10.2](#), which shows a typical website update process and considers possible improvements.

Who owns the content?

For a medium-to-large site where the content is updated regularly, as it should be, it will soon become impossible for one person to update all the content. It is logical and practical to distribute the responsibility for owning and developing different sections of the site to the people in an organisation who have the best skills and knowledge to develop that content. For example, in a large financial services company, the part of the business responsible for a certain product area should update the copy referring to their products. One person will update the copy for each of savings accounts, mortgages, travel insurance, health insurance and investments. For a PC supplier, different **content developers** will be required for the product information, financing, delivery information and customer service facilities. Once the ownership of content is distributed throughout an organisation, it becomes crucial to develop guidelines and standards that help ensure that the site has a coherent ‘feel’ and appearance. The nature of these guidelines is described in the sections that follow.

Content developer

A person responsible for updating web pages within part of an organisation.

Activity 10.2: Optimising a content review process

Purpose

To assess how quality control and efficiency can be balanced for revisions to web content.

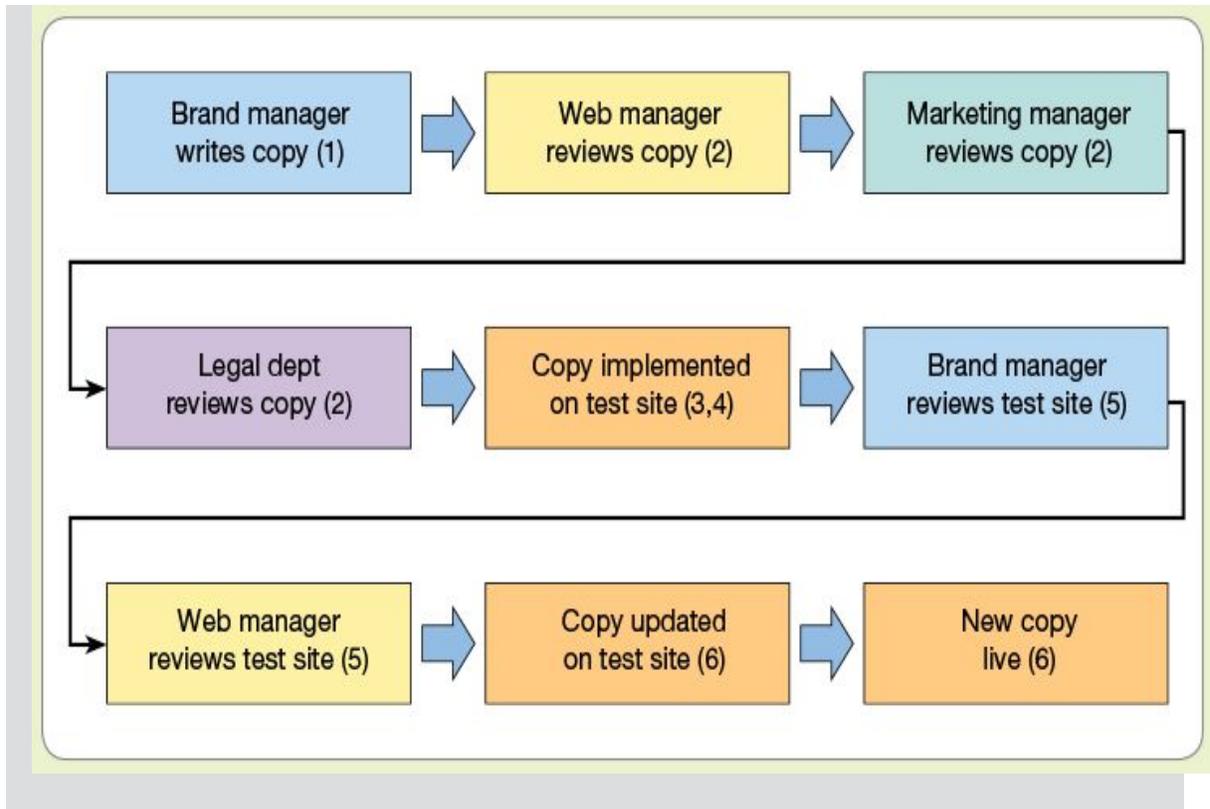
Activity

The extract below and [Figure 10.13](#) illustrate a problem of updating encountered by this company. How can they solve this problem?

Problem description

From the moment the brand manager identifies a need to update copy for the product, the update might happen as follows: brand manager writes the copy (half a day); one day later the web manager reviews the copy. Three days later the marketing manager checks the copy, seven days later the legal department checks the copy, two days later the revised copy is implemented on the test site and two days later the brand manager reviews the test site. The next day the web manager reviews the website, followed by updating and final review, before the copy is added to the live site two days later – and over a fortnight from when a relatively minor change to the site was identified!

Figure 10.13 An example of a content update review process



As realisation of content as a strategic asset grows, more senior roles are being created to manage content quality, as shown by [Mini case study 10.2: Logitech appoints a content strategist](#).

Mini case study 10.2: Logitech™ appoints a content strategist

Computer peripheral provider Logitech advertised for a content strategist. This job description for a content strategist in a large company helps show us the key aspects of content strategy. These requirements summarise the essence of a sound content strategy:

1. Senior management must understand the importance of content strategy to invest in good-quality resources with high-profile roles.
2. Content must be of exceptional quality to be most effective – the job description says: ‘useful, compelling and meaningful’.
3. Involves a strategy for syndication – not limited to company’s own site.
4. Blends improving customer experience, customer engagement and SEO.
5. Requires an editorial calendar to manage creation of content.

6. Content quality improved through a continuous process applying analytics and customer satisfaction.
7. Integrates copywriting, web platform design and implementation, marketing communications, PR and SEO resources or teams.
8. Supports goals and essence of company brand.

Content strategist responsibilities

- Drive the development and organisation of content that is useful, compelling and meaningful – directly on [Logitech.com](https://logitech.com) and indirectly through distributed content.
- Create user flows, information hierarchies, wireframes and content strategy for logitech.com in support of campaigns, product launches and ongoing improvement.
- Determine content requirements for [Logitech.com](https://logitech.com), inventory existing content, identify gaps, evaluate possible sources for additional material and manage the process of getting that content into production.
- Creatively look for opportunities to improve content, consumer experience and SEO performance.
- Manage the logitech.com editorial calendar to proactively keep content useful and up to date.
- Use analytics, consumer and usability testing and business requirements to help improve the experience and the content of logitech.com in the long and short term.
- Work with the web, writing, PR and marcomm teams to determine the most effective ways to support campaigns and product launches on the web.
- Lead projects that make our web and component communication more intuitive and useful to consumers and internal partners.
- Work with brand architecture and terminology to guide the effective organisation of products and activities on logitech.com.
- Drive the architecture of and improvements to the internal product content management system (worldwide product database to fit the needs of the organisation).
- Occasionally write or edit content – particularly meta-data, titles, alt text, and edit general content to optimise natural search.

Content strategist requirements

- Four-year college degree in a relevant field required, Master's degree preferred.
- Five to seven years of experience in an information architecture role, with two to three years working on complex websites.
- Two to three years of experience being directly responsible for content strategy on a dynamic, complex or ever-evolving website.
- Experience with web content management systems, component content management systems (DITA or otherwise) and authoring systems (XML or other).
- Strong strategic, analytical skills with a solid ability to articulate information requirements clearly.
- A creative and collaborative approach that elevates the creative and communication opportunities – rather than straight analysis.
- Expertise in content strategy – including strong experience in SEO and keyword analysis as well as planning flexible approaches to keep content accurate and fresh.
- Accomplishments in the effective use of syndication (in and out) and user-generated content, as well as working collaboratively with writers and designers.
- The ability to be measured by hard metrics – views, time on site, consumer feedback – as well as soft metrics – support of the brand vision and architecture, consumer perception.

- **Demonstrated ability to visualise and communicate complex information using Microsoft Visio or similar software.**
- **Deep experience with all levels of UX strategy and testing – but the ability to act quickly on consumer insights and best practices.**
- **Solid work ethic, ability to perform under pressure, meet deadlines, prioritise and deliver multiple tasks on time.**
- **Willing to learn and contribute to a strong team environment.**
- **Enthusiastic about the products and the possibilities of Logitech.**

Other information

Logitech knows the value of strategic communication and content and now we're expanding our team to make the most of it. The global marketing team needs an expert who is ready to add his or her brain, talent and creativity to the cause of making our content work smarter, harder and around the globe. This is an opportunity for an IA/content strategy professional to put both strategy and executional excellence into practice every day and make an immediate and visible impact on the efficacy of a global organisation.

This role reports directly to the Global Director of Writing and Brand Architecture, with a direct and ongoing relationship with the Director of Global Web Marketing.

Source: Job description: Information Architect/Content Strategist for Logitech, posted 29 September 2010 (accessed 2010, no longer available)

Who owns the format?

The format refers to different aspects of the design and layout of the site, commonly referred to as its 'look and feel'. The key aim is consistency of format across the whole website. For a large corporate site, with different staff working on different parts of the site, there is a risk that the different areas of the site will not be consistent. Defining a clear format or **site design templates** for the different page or content types means that the quality of the site and customer experience will be better:

- **The site will be easier to use.** A customer who has become familiar with using one area of the site will be able to confidently use another part of the site.
- **The design elements of the site will be similar.** A user will feel more at home with the site if different parts look similar.
- **The corporate image and branding will be consistent.** It will be both consistent with real-world branding (if this is an objective) and similar across the entire site. (Site design templates were reviewed from a site design perspective in [Chapter 7](#)).

Site design template(s)

A standard page layout format that is applied to each page of a website for particular page types, e.g. category pages, product or blog pages.

To achieve a site of this quality it is necessary for written standards to be developed. These may include different standards, such as those shown in [Table 10.4](#). The standards adopted will vary according to the size of the website and company. Typically, larger sites, with more individual content developers, will require more detailed standards.

Table 10.4 Website standards

Standard	Details	Applies to
Site structure	Will specify the main areas of the site, for example products, customer service, press releases, how to place content and who is responsible for each area	Content developers
Navigation	May specify, for instance, that the main menu must always be on the left of the screen, with nested sub-menus at the foot of the screen. The home button should be accessible from every screen at the top-left corner of the screen. See Lynch and Horton (1999) for guidelines on navigation and site design	Website designer/webmaster usually achieves these through site templates
Copy style and page structure	General guidelines, for example reminding those writing copy that web copy needs to be briefer than its paper equivalent and ranking factors for SEO (Chapter 9). Brand tone-of-voice guidance is essential when many people are updating content to ensure consistency. Mailchimp™ have published their tone-of-voice guidance for different channels (https://styleguide.mailchimp.com/voice-and-tone/). Where detail is required, perhaps with product specifications, it should be broken up into chunks that are	Individual content developers

	digestible on-screen. Copy and page structure should also be written for search engine optimisation to keyphrases (Chapter 8).	
Testing standards	<p>Check site functions for:</p> <ul style="list-style-type: none"> • different browser types and versions • plug-ins • invalid links • speed of download of graphics • spellcheck each page 	Website designer/webmaster
Brand identity	Specifies the appearance of company logos and the colours and typefaces used to convey the brand message design	Website designer/webmaster and graphic design
Process	Web page or updating an existing page. Who is responsible for reviewing and updating?	All
Performance	Availability and download-speed figures	Staff managing the server

Who owns the technology?

The technology used to publish a website is important if a company is to utilise fully the power of the Internet. Many standards, such as those in Table 10.5, need to be managed in addition to the technology.

As well as issues of integrating systems, there are detailed technical issues for which the technical staff in the company need to be made responsible. These include:

- availability and performance of the website server;
- checking HTML for validity and correcting broken links;
- managing different versions of web pages in the test and live environments and content management.

Content management systems

Content management systems (CMS) refer to when software tools (usually browser-based software running on a server) permit business users to contribute web content, while an administrator keeps control of the format and style of the website and the approval process. These tools are used to organise, manage, retrieve and archive information content throughout the life of the site.

Content management system (CMS)

A software tool for creating, editing and updating documents accessed by intranet, extranet or Internet.

CMSs provide these facilities:

- **Structure authoring:** the design and maintenance of content structure (sub-components, templates, etc.), web page structure and website structure.
- **Link management:** the maintenance of internal and external links through content change and the elimination of dead links.
- **Search engine visibility:** the content within the search engine must be stored and linked such that it can be indexed by search engine robots to add it to their index. This was not possible with some first-generation content management systems, but is typical of more recent content management systems.
- **Input and syndication:** the loading (spidering) of externally originated content and the aggregation and dissemination of content from a variety of sources.
- **Versioning:** the crucial task of controlling which edition of a page, page element or the whole site is published. Typically this will be the most recent, but previous editions should be archived and it should be possible to roll back to a previous version at the page, page element or site level.
- **Security and access control:** different permissions can be assigned to different roles of users and some content may only be available through log-in details. In these cases, the CMS maintains a list of users. This facility is useful when a company needs to use the same CMS for an intranet, extranet or public Internet site that may have different levels of permission.
- **Publication workflow:** content destined for a website needs to pass through a publication process to move it from the management environment to the live delivery environment. The process may involve

tasks such as format conversion (e.g. to PDF), rendering to HTML, editorial authorisation and the construction of composite documents in real time (personalisation and selective dissemination).

- **Tracking and monitoring:** providing logs and statistical analysis of use to provide performance measures, tune the content according to demand and protect against misuse.
- **Navigation and visualisation:** providing an intuitive, clear and attractive representation of the nature and location of content using colour, texture, 3D rendering or even virtual reality.

From this list of features you can see that modern CMS are complex and many CMS are expensive investments. Some open-source CMS are available, without the need to purchase a licence fee, which have many of the features explained in this section. The most popular open-source CMS are WordPress™, Drupal™ and Django™. While these originated mainly for blogging, they can now be used to create more complex sites. For e-commerce sites, Magento™ is the most widely used open-source system.

Initiatives to keep content fresh

It is often said that up-to-date content is crucial to site ‘stickiness’, but fresh content will not happen by accident, so companies have to consider approaches that can be used to control the quality of information. Generic approaches that we have seen that can work well are:

- assign responsibility for particular content types of site sections;
- make the quality of web content produced part of employees’ performance appraisal;
- produce a target schedule for publication of content;
- identify events that trigger the publication of new content, e.g. a new product launch, price change or a press release;
- identify stages and responsibilities in updating – who specifies, who creates, who reviews, who checks, who publishes;
- measure the usage of content through web analytics or get feedback from site users;
- audit and publish content to show what is up to date.

Case study 9: Learning from Amazon's culture of metrics

Context

Why a case study on Amazon? Surely everyone knows about Amazon and what it does? Yes, well, that's maybe true, but this case goes under the surface to review some of the 'insider secrets' of Amazon's early success and provide a focus on customers, measurement and improvement that remains today.

Like eBay, Amazon.com was launched in 1995. The name reflected the vision of founder and CEO Jeff Bezos, to produce a large-scale phenomenon like the Amazon river. This ambition proved justified since, just eight years later, Amazon passed the \$5 billion sales mark – it took WalMart 20 years to achieve this. At the time of writing, annual turnover was \$135 billion reported for full-year of 2016.

Vision and strategy

When it first launched, Amazon had a clear and ambitious mission:

We seek to be Earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators.

Today, with business users of its Amazon Web Service representing a new type of customer, Amazon says:

this goal continues today, but Amazon's customers are worldwide now and have grown to include millions of Consumers, Sellers, Content Creators, Developers, and Enterprises. Each of these groups has different needs, and we always work to meet those needs, by innovating new solutions to make things easier, faster, better, and more cost-effective.

This focus on the customer has been there from the start: the 1997 SEC filing said Amazon would 'obsess over the customer'. Success here is shown by consistently high ratings at the American Customer Satisfaction Index (www.theacsi.org/the-american-customer-satisfaction-index#homelogo). In the latest 2017 Annual Report, Jeff Bezos of Amazon explains what he calls 'True Customer Obsession' (Amazon, 2017):

There are many ways to center a business. You can be competitor focused, you can be product focused, you can be technology focused, you can be business model focused, and there are more. But in my view, obsessive customer focus is by far the most important. Even when they don't yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.

In each SEC filing Amazon explains how it uses an analytical approach to improve satisfaction and business performance by reiterating a comment in a letter to shareholders from Jeff Bezos when Amazon first became a publicly quoted company:

We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.

More recently, this approach has been applied to a range of business model innovations focused on hardware and new services: Kindle e-reader, Fire Tablet, smartphone and TV, Echo (using the Alexa Artificial Intelligence voice-assistant), grocery delivery, Amazon Fashion and expansion to the business-oriented Amazon Web Services (AWS). Amazon Prime is an annual membership programme that includes unlimited free shipping and then involved diversification to a media service with access to unlimited instant streaming of thousands of movies and TV episodes.

The latest example of innovation in its business model is the launch of Amazon Go™ (amazon.com/go), a new kind of store with no checkout required. Boasting a ‘Just Walk Out Shopping Experience’, the Amazon Go app users enter the store, take the products they want and go, with no lines and no checkout.

Yet Bezos acknowledges that failure will inevitably happen with innovation. In an interview with *Business Insider* (2014) he says:

I’ve made billions of dollars of failures at Amazon.com. Literally billions of dollars of failures. You might remember Pets.com or Kosmo.com. It was like getting a root canal with no anaesthesia. None of those things are fun. But they also don’t matter.

Of course, achieving customer loyalty and repeat purchases has been key to Amazon’s success. Many dot.coms failed because they succeeded in achieving awareness, but not loyalty. Amazon achieved both. In its SEC filing the company stresses how it seeks to achieve this:

We work to earn repeat purchases by providing easy-to-use functionality, fast and reliable fulfilment, timely customer service, feature-rich content, and a trusted transaction environment. Key features of our websites include editorial and customer reviews; manufacturer product information; web pages tailored to individual preferences, such as recommendations and notifications; 1-Click® technology; secure payment systems; image uploads; searching on our websites as well as the Internet; browsing; and the ability to view selected interior pages and citations, and search the entire contents of many of the books we offer with our ‘Look Inside the Book’ and ‘Search Inside the Book’ features. Our community of online customers also creates feature-rich content, including product reviews, online recommendation lists, wish lists, buying guides, and wedding and baby registries.

In fact, as is the practice for many online retailers, the lowest prices are for the most popular products, with less popular products commanding higher prices and a greater margin for Amazon. Free shipping offers are used to encourage increase in basket size since customers have to spend over a certain amount to receive free shipping. The level at which free shipping is set is critical to profitability and Amazon has changed it as competition has changed and for promotional reasons.

Amazon communicates the fulfilment promise in several ways including presentation of latest inventory availability information, delivery date estimates and options for expedited delivery, as well as delivery shipment notifications and update facilities.

Competition

In its latest SEC filing Amazon describes the environment for its products and services as ‘intensely competitive’. It views its main current and potential competitors as: ‘(1) online, offline, and multichannel retailers, publishers, vendors, distributors, manufacturers, and producers of the products we offer and sell to consumers and businesses; (2) publishers, producers, and distributors of physical, digital, and interactive media of all types and all distribution channels; (3) web search engines, comparison shopping websites, social

networks, web portals, and other online and app-based means of discovering, using, or acquiring goods and services, either directly or in collaboration with other retailers; (4) companies that provide e-commerce services, including website development, advertising, fulfillment, customer service, and payment processing; (5) companies that provide fulfillment and logistics services for themselves or for third parties, whether online or offline; (6) companies that provide information technology services or products, including on premises or cloud-based infrastructure and other services; and (7) companies that design, manufacture, market, or sell consumer electronics, telecommunication, and electronic devices’.

Amazon believes the main competitive factors in its market segments include:

selection, price, availability, convenience, information, discovery, brand recognition, personalised services, accessibility, customer service, reliability, speed of fulfilment, ease of use, and ability to adapt to changing conditions, as well as our customers’ overall experience and trust in transactions with us and facilitated by us on behalf of third-party sellers.

For services offered to business and individual sellers, additional competitive factors include the quality of services and tools, the ability to generate sales for third parties the company serves and the speed of performance for its services.

From auctions to marketplaces

Amazon auctions (known as ‘zShops’) were launched in March 1999, in large part as a response to the success of eBay. They were promoted heavily from the home page, category pages and individual product pages. They give an example of how Amazon will stop initiatives that aren’t successful. Today, competitive prices of products are available through third-party sellers in the ‘Amazon Marketplace’, which are integrated within the standard product listings. The strategy to offer such an auction facility was initially driven by the need to compete with eBay, but now the strategy has been adjusted such that Amazon describes it as part of the approach of low pricing. According to a 2014 interview with Jeff Bezos (*Business Insider*, 2014), Amazon now sells around 40 per cent of units through sellers, thus enabling it to extend its range of products and improve stock availability.

Although it might be thought that Amazon would lose out on enabling its merchants to sell products at lower prices, in fact Amazon makes greater margin on these sales since merchants are charged a commission on each sale and it is the merchant who bears the cost of storing inventory and fulfilling the product to customers. As with eBay, Amazon is just facilitating the exchange of bits and bytes between buyers and sellers without the need to distribute physical products.

Marketing

Amazon does not reveal much about its marketing approach in its annual reports, but there seems to be a focus on online marketing channels. The Amazon 2011 SEC filing states: ‘we direct customers to our websites primarily through a number of targeted online marketing channels, such as our Associates program, sponsored search, portal advertising, email marketing campaigns, and other initiatives’. These ‘other initiatives’ may include outdoor and TV advertising, but they are not mentioned specifically. In this statement they also highlight the importance of customer-loyalty tools. They say: ‘while costs associated with free shipping are not included in marketing expense, we view free shipping offers and Amazon Prime as effective worldwide marketing tools, and intend to continue offering them indefinitely’.

How Amazon's 'culture of metrics' started

A common theme in Amazon's development is the drive to use a measured approach to all aspects of the business, beyond the finance. Marcus (2004) describes an occasion at a corporate 'boot-camp' in January 1997 when Amazon CEO Jeff Bezos 'saw the light'. 'At Amazon, we will have a Culture of Metrics', he said while addressing his senior staff. He went on to explain how web-based business gave Amazon an 'amazing window into human behaviour'. Marcus says:

Gone were the fuzzy approximations of focus groups, the anecdotal fudging and smoke blowing from the marketing department. A company like Amazon could (and did) record every move a visitor made, every last click and twitch of the mouse. As the data piled up into virtual heaps, hummocks and mountain ranges, you could draw all sorts of conclusions about their chimerical nature, the consumer. In this sense, Amazon was not merely a store, but an immense repository of facts. All we needed were the right equations to plug into them.

Marcus then goes on to give a fascinating insight into a breakout group discussion of how Amazon could better use measures to improve its performance. Marcus was in the Bezos group, brainstorming customer-centric metrics. Marcus (2004) summarises the dialogue, led by Bezos:

'First, we figure out which things we'd like to measure on the site', he said. 'For example, let's say we want a metric for customer enjoyment. How could we calculate that?'

There was silence. Then somebody ventured: 'How much time each customer spends on the site?'

'Not specific enough', Jeff said.

'How about the average number of minutes each customer spends on the site per session', someone else suggested. 'If that goes up, they're having a blast.'

'But how do we factor in purchase?' I [Marcus] said, feeling proud of myself. 'Is that a measure of enjoyment?'

'I think we need to consider frequency of visits, too', said a dark-haired woman I didn't recognise. 'Lot of folks are still accessing the web with those creepy-crawly modems. Four short visits from them might be just as good as one visit from a guy with a T-1. Maybe better.'

'Good point', Jeff said. 'And anyway, enjoyment is just the start. In the end, we should be measuring customer ecstasy.'

It is interesting that Amazon was having this debate about the elements of RFM analysis (described in [Chapter 6](#)) in 1997, after already having achieved \$16 million of revenue in the previous year. Of course, this is a minuscule amount compared with today's billions of dollars turnover. The important point was that this was the start of a focus on metrics, which can be seen through the description of Matt Round's work later in this case study.

Applying machine learning and Artificial Intelligence

Some of the applications of AI at Amazon are highly visible – for example, the Amazon Echo assistant and technology in the Amazon Go convenience store that uses machine vision to

eliminate checkout lines. In Amazon 2018, they describe the increased use of machine learning and AI 'behind the scenes' at Amazon:

much of what we do with machine learning happens beneath the surface. Machine learning drives our algorithms for demand forecasting, product search ranking, product and deals recommendations, merchandising placements, fraud detection, translations, and much more. Though less visible, much of the impact of machine learning will be of this type – quietly but meaningfully improving core operations.

From human to software-based recommendations

Amazon has developed internal tools to support this 'Culture of Metrics'. Marcus (2004) describes how the 'Creator Metrics' tool shows content creators how well their product listings and product copy are working. For each content editor, such as Marcus, it retrieves all recently posted documents including articles, interviews, booklists and features. For each one it then gives a conversion rate to sale plus the number of page views, adds (added to basket) and repels (content requested, but the back button then used). In time, the work of editorial reviewers, such as Marcus, was marginalised since Amazon found that the majority of visitors used the search tools rather than read editorial and they responded to the personalised recommendations as the matching technology improved (Marcus likens early recommendations techniques to 'going shopping with the village idiot').

Experimentation and testing at Amazon

The 'Culture of Metrics' also led to a test-driven approach to improving results at Amazon. Matt Round, speaking at E-metrics 2004 when he was director of personalisation at Amazon, describes the philosophy as 'data trumps intuitions'. He explained how Amazon used to have a lot of arguments about which content and promotion should go on the all-important home page or category pages. He described how every category VP wanted top-centre and how the Friday meetings about placements for next week were getting 'too long, too loud and lacked performance data'.

But today 'automation replaces intuitions' and real-time experimentation tests are always run to answer these questions, since actual consumer behaviour is the best way to decide upon tactics.

Marcus (2004) also notes that Amazon has a culture of experiments of which A/B tests are key components. Examples where A/B tests are used include new home page design, moving features around the page, different algorithms for recommendations and changing search relevance rankings. These involve testing a new treatment against a previous control for a limited time of a few days or a week. The system will randomly show one or more treatments to visitors and measure a range of parameters such as units sold and revenue by category (and total), session time and session length. The new features will usually be launched if the desired metrics are statistically significantly better. Statistical tests are a challenge though, as distributions are not normal (they have a large mass at zero, for example, of no purchase). There are other challenges, since multiple A/B tests are running every day and A/B tests may overlap and so conflict. There are also longer-term effects where some features are 'cool' for the first two weeks and the opposite effect where changing navigation may degrade performance temporarily. Amazon also finds that as its users evolve in their online experience, the way they act online has changed. This means that Amazon has to constantly test and evolve its features.

Technology

It follows that the Amazon technology infrastructure must readily support this culture of experimentation and this can be difficult to achieve with standardised content management. Amazon has achieved its competitive advantage through developing its technology internally and with a significant investment in this, which may not be available to other organisations without the right focus on the online channels.

As Amazon explains in SEC (2005):

using primarily our own proprietary technologies, as well as technology licensed from third parties, we have implemented numerous features and functionality that simplify and improve the customer shopping experience, enable third parties to sell on our platform, and facilitate our fulfilment and customer service operations. Our current strategy is to focus our development efforts on continuous innovation by creating and enhancing the specialised, proprietary software that is unique to our business, and to license or acquire commercially-developed technology for other applications where available and appropriate. We continually invest in several areas of technology, including our seller platform [A9.com](#), our wholly-owned subsidiary focussed on search technology on [www.A9.com](#) and other Amazon sites; web services; and digital initiatives.

Round (2004) describes the technology approach as ‘distributed development and deployment’. Pages such as the home page have a number of content ‘pods’ or ‘slots’ that call web services for features. This makes it relatively easy to change the content in these pods and even change the location of the pods on-screen. Amazon uses a flowable or fluid page design, unlike many sites, which enables it to make the most of real-estate on-screen.

Technology also supports more standard e-retail facilities. SEC (2005) states:

We use a set of applications for accepting and validating customer orders, placing and tracking orders with suppliers, managing and assigning inventory to customer orders, and ensuring proper shipment of products to customers. Our transaction-processing systems handle millions of items, a number of different status inquiries, multiple shipping addresses, gift-wrapping requests and multiple shipment methods. These systems allow the customer to choose whether to receive single or several shipments based on availability and to track the progress of each order. These applications also manage the process of accepting, authorising and charging customer credit cards.

Data-driven automation

Round (2004) said that ‘Data is king at Amazon’. He gave many examples of data-driven automation including customer channel preferences, managing the way content is displayed to different user types, such as new releases and top-sellers, merchandising and recommendation (showing related products and promotions) and also advertising through paid search (automatic ad generation and bidding).

The automated search advertising and bidding system for paid search has had a big impact at Amazon. Sponsored links were initially done by humans, but this was unsustainable due to the range of products at Amazon. The automated program generates keywords, writes ad creative, determines best landing page, manages bids, measures conversion rates, profit per converted visitor and updates bids. Again, the problem of volume is there: Matt Round described how the book *How to Make Love like a Porn Star* by Jenna Jameson received tens of thousands of clicks from pornography-related searches, but few actually purchased the book. So the update cycle must be quick to avoid large losses.

There is also an automated email measurement and optimisation system. The campaign calendar used to be manually managed with relatively weak measurement and it was costly to schedule and use. A new system:

- automatically optimises content to improve customer experience;
- avoids sending an email campaign that has low click-through or a high unsubscribe rate;
- includes inbox management (avoids sending multiple emails/week);
- has a growing library of automated email programs covering new releases and recommendations.

But there are challenges if promotions are too successful and inventory isn't available.

Your recommendations

'Customers Who Bought X ... also bought Y' is Amazon's signature feature. Round (2004) describes how Amazon relies on acquiring and then crunching a massive amount of data. Every purchase, every page viewed and every search is recorded. So there are now two new versions: 'Customers who shopped for X also shopped for ...', and 'Customers who searched for X also bought ...'. Amazon also has a system codenamed 'Goldbox', which is a cross-sell and awareness-raising tool. Items are discounted to encourage purchases in new categories!

He also describes the challenge of techniques for sifting patterns from noise (sensitivity filtering), and clothing and toy catalogues change frequently so recommendations become out of date. The main challenges, though, are the massive data size arising from millions of customers, millions of items and recommendations made in real time.

Partnership strategy

As Amazon grew, its share price growth enabled partnership or acquisition with a range of companies in different sectors. Marcus (2004) describes how Amazon partnered with [Drugstore.com](#) (pharmacy), [Living.com](#) (furniture), [Pets.com](#) (pet supplies), [Wineshopper.com](#) (wines), [HomeGrocer.com](#) (groceries), [Sothebys.com](#) (auctions) and [Kozmo.com](#) (urban home delivery). In most cases, Amazon purchased an equity stake in these partners, so that it would share in their prosperity. It also charged them fees for placements on the Amazon site to promote and drive traffic to their sites. Similarly, Amazon charged publishers for prime position to promote books on its site, which caused an initial hue-and-cry, but this abated when it was realised that paying for prominent placements was widespread in traditional booksellers and supermarkets. Many of these new online companies failed in 1999 and 2000, but Amazon had covered the potential for growth and was not pulled down by these partners, even though for some, such as [Pets.com](#), it had an investment of 50 per cent.

Analysts sometimes refer to 'Amazoning a sector', meaning that one company becomes so dominant in an online sector such as book retail that it becomes very difficult for others to achieve market share. In addition to developing, communicating and delivering a very strong proposition, Amazon has been able to consolidate its strength in different sectors through its partnership arrangements and through using technology to facilitate product promotion and distribution via these partnerships. The Amazon retail platform enables other retailers to sell products online using the Amazon user interface and infrastructure through its 'Syndicated Stores' programme. For example, in the UK, Waterstones (www.waterstones.co.uk) is one of the largest traditional bookstores. It found competition with online so expensive and challenging that eventually it entered a partnership arrangement where Amazon markets and distributes its books online in return for a commission online. Similarly, in the US the

large book retailer Borders used the Amazon merchant platform for distributing its products. Such partnerships help Amazon extend its reach into the customer-base of other suppliers, and, of course, customers who buy in one category such as books can be encouraged to purchase in other areas such as clothing or electronics.

Another form of partnership referred to above is the Amazon Marketplace, which enables Amazon customers and other retailers to sell their new and used books and other goods alongside the regular retail listings. A similar partnership approach is the Amazon 'Merchants@' programme, which enables third-party merchants (typically larger than those that sell via the Amazon Marketplace) to sell their products via Amazon. Amazon earns money either through fixed fees or sales commissions per unit. This arrangement can help customers, who get a wider choice of products from a range of suppliers with the convenience of purchasing them through a single checkout process.

Finally, Amazon has also facilitated formation of partnerships with smaller companies through its affiliates programme. Internet legend records that Jeff Bezos, the creator of Amazon, was chatting to someone at a cocktail party who wanted to sell books about divorce via her website. Subsequently, Amazon.com launched its Associates Program in July 1996 and it is still going strong. Amazon does not use an affiliate network (explained in [Chapter 9](#)), which would take commissions from sale, but thanks to the strength of its brand has developed its own affiliate programme. Amazon has created tiered performance-based incentives to encourage affiliates to sell more Amazon products.

Marketing communications

In its SEC filings Amazon states that the aims of its communications strategy are (unsurprisingly) to:

- Increase customer traffic to its websites.
- Create awareness of its products and services.
- Promote repeat purchases.
- Develop incremental product and service revenue opportunities.
- Strengthen and broaden the Amazon.com brand name.

Amazon also believes that its most effective marketing communications are a consequence of its focus on continuously improving the customer experience. This then creates word-of-mouth promotion, which is effective in acquiring new customers and may also encourage repeat customer visits.

As well as this, Marcus (2004) describes how Amazon used the personalisation enabled through technology to reach out to a difficult-to-reach market that Bezos originally called 'the hard middle'. Bezos's view was that it was easy to reach ten people (you called them on the phone) or the 10 million people who bought the most popular products (you placed a superbowl ad), but more difficult to reach those in between. The search facilities in the search engine and on the Amazon site, together with its product recommendation features, meant that Amazon could connect its products with the interests of these people.

Online advertising techniques include paid search marketing, interactive ads on portals, email campaigns and search engine optimisation. These are automated as far as possible, as described earlier in the case study. As previously mentioned, the affiliate programme is also important in driving visitors to Amazon, and Amazon offers a wide range of methods of linking to its site to help improve conversion. For example, affiliates can use straight text links leading direct to a product page and they also offer a range of dynamic banners that feature different content, such as books about Internet marketing or a search box.

Amazon also uses cooperative advertising arrangements, better known as ‘contra-deals’, with some vendors and other third parties. For example, a print advertisement in 2005 for a particular product such as a wireless router with a free wireless laptop card promotion was to feature a specific Amazon URL in the ad. In product fulfilment packs, Amazon may include a leaflet for a non-competing online company such as Figleaves.com (lingerie) or Expedia (travel). In return, Amazon leaflets may be included in customer communications from the partner brands.

The associates programme directs customers to Amazon websites by enabling independent websites to make millions of products available to their audiences with fulfilment performed by Amazon or third parties. Amazon pays commission to hundreds of thousands of participants in the associates programme when their customer referrals result in product sales. In addition, Amazon offers everyday free shipping options worldwide and launched Amazon.com Prime, its first membership programme in which members receive free two-day shipping and discounted overnight shipping. Although marketing expenses do not include the costs of free shipping or promotional offers, Amazon views such offers as effective marketing tools.

Questions

1. By referring to the case study, Amazon’s website for your country and your experience of Amazon’s offline communications, evaluate how well Amazon communicates its core proposition and promotional offers.
2. Using the case study, characterise Amazon’s approach to marketing communications.
3. Explain what distinguishes Amazon in its use of technology for competitive advantage.
4. How does the Amazon ‘culture of metrics’ differ from that in other organisations, from your experience?

Summary

1. A structured measurement and improvement programme is necessary to collect measures to assess and improve digital marketing effectiveness. Action can then be taken to adjust the website strategy or promotional efforts. A measurement programme involves:
 - **Stage 1:** Defining a measurement process.
 - **Stage 2:** Defining a metrics framework.
 - **Stage 3:** Selecting of tools for data collection, reporting, optimisation and analysis.
2. Measures of Internet marketing effectiveness can be categorised as assessing:

- **Level 1: Business effectiveness.** These measure the impact of the website on the whole business, and look at financial measures such as revenue and profit and promotion of corporate awareness.
 - **Level 2: Marketing effectiveness.** These measure the number of leads and sales achieved via the Internet and effect of the Internet on retention rates and other aspects of the marketing mix such as branding.
 - **Level 3: Digital marketing effectiveness.** These measures assess how well the site is being promoted, and do so by reviewing the popularity of the site and how good it is at delivering customer needs.
3. The measures of effectiveness referred to above are collected in two main ways – online and offline – or in combination.
 4. Online measures are obtained from a web-server log file or using browser-based techniques. They indicate the number of visitors to a site, which pages they visit and where they originated from. These also provide a breakdown of visitors through time or by country.
 5. Offline measures are marketing outcomes such as enquiries or sales that are directly attributable to the website. Other measures of the effectiveness are available through surveying customers using questionnaires, interviews and focus groups.
 6. Managing website content requires clear responsibilities to be identified for different roles. These include the roles of content owner and site developer, and those ensuring that the content conforms with company and legal requirements.
 7. To produce a good-quality website, standards are required to enforce uniformity in terms of:
 - site look and feel;
 - brand identity and tone-of-voice;
 - quality of content.

Exercises

Self-assessment exercises

1. Why are standards necessary for controlling website management? What aspects of the site do standards seek to control?
2. Explain the difference between hits and page impressions. How are these measured?

3. How should social media marketing effectiveness be assessed?
4. Why should content development be distributed through a large organisation?
5. Describe the different types of measures that should be used to review and improve digital marketing.
6. How can focus groups and interviews be used to assess website effectiveness?
7. Explain the principles of effectiveness AB testing.
8. Why is it useful to integrate the collection of online and offline metrics?

Essay and discussion questions

1. 'Corporate standards for a website's format and update process are likely to stifle the creative development of a site and reduce its value to customers.' Discuss.
2. 'Most companies collect data about digital marketing activities, but few derive much value from it'. Discuss possible reasons for this assertion.
3. You have been appointed manager of a website for a car manufacturer and have been asked to refine the existing online measurement and improvement programme. Explain, in detail, the steps you would take to develop this programme.
4. The first version of a website for a financial services company has been live for a year. Originally it was developed by a team of two people, and was effectively 'brochureware'. The second version of the site is intended to contain more detailed information, and will involve contributions from ten different product areas. You have been asked to define a procedure for controlling updates to the site. Write a document detailing the update procedure, which also explains the reasons for each control.

Examination questions

1. Why are standards necessary to control the process of updating a website? Give three examples of different aspects of a website that need to be controlled.
2. Explain the following terms concerning measurement of website effectiveness:
 - a unique visitors;
 - b page impressions;

- c referring pages.
3. Measurement of websites concerns the recording of key events involving customers using a website. Briefly explain five different types of event.
 4. Describe and briefly explain the purpose of the different stages involved in updating an existing document on a commercial website.
 5. Outline different types of measures for reviewing the effectiveness of social media marketing.
 6. Give three reasons explaining why a website may have to integrate with existing marketing information systems and databases within a company.
 7. You have been appointed manager of a website and have been asked to develop a metrics programme. Briefly explain the steps you would take to develop this programme.
 8. If a customer can be persuaded to register his or her name and email address with a website, how can this information be used for site measurement purposes?

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Weblinks

Web analytics resources

- **ABC** (www.abc.org.uk). Audit Bureau of Circulations is standard for magazines in the UK. This is the electronic auditing part. Useful for definitions and examples of traffic for UK organisations.
- **E-metrics** (www.emetrics.org). Jim Sterne's site has many resources for online marketing metrics.
- **Marketing Experiments** (www.marketingexperiments.com). Summarises approaches to testing to improve website marketing effectiveness.
- **Smart Insights Web Analytics Strategy** (www.smartinsights.com/managing-digital-marketing/web-analytics-strategy). This Quick Guide from Dave Chaffey's site has all the main resources for students.
- **Web Analytics Association** (www.webanalyticsassociation.com). The site of the trade association for web analytics has useful definitions, articles and forums on this topic.
- **Web Analytics Demystified** (www.webanalyticsdemystified.com). A site to support Eric Petersen's books with a range of content.

Web analytics expertise

- **Avinash Kaushik's Occam's Razor blog** (www.kaushik.net). Avinash is an expert in web analytics and his popular blog shows how web analytics should be used to control and improve return on e-marketing investments.
- **Cardinal Path blog** (www.cardinalpath.com/blog). Practical discussions of web analytics.
- **Justin Cutroni** (www.cutroni.com). A specialist web analytics blog giving guidance on how to tailor Google Analytics.

- **LunaMetrics** (www.lunametrics.com). One of the best advanced blogs on Google Analytics, giving practical advice.

Social media marketing analytics

These are the blogs of two of the leading commentators on social media marketing who discuss how to measure return from social media marketing:

- Jay Baer (www.convinceandconvert.com)
- Brian Solis (www.briansolis.com).

Glossary

2G Second-generation of mobile phone technology.

4G Fourth-generation wireless, delivering wireless broadband at 20–40 Mbps (about 10–20 times the rates of ADSL broadband service).

A/B testing A/B or AB testing refers to testing two different versions of a page or a page element such as a heading, image or button. The alternatives are served alternately, with the visitors to the page randomly split between the two pages. Hence, it is sometimes called ‘live split testing’. Changes in visitor behaviour can then be compared using different metrics such as click-through rate on page elements like buttons or images, or macro-conversion rates, such as conversion to sale or sign-up. AB testing is aimed at increasing page or site effectiveness against key performance indicators including click-through rate, conversion rate and revenue per visit. Since it does not consider combinations of variables tested, for best uplift multivariate testing is increasingly used.

Above the fold A term, derived from printed media, that is used to indicate whether a banner advertisement or other content is displayed on a web page without the need to scroll. This is likely to give higher click-through, but note that the location of the ‘fold’ within the web browser is dependent on the screen resolution of a user’s personal computer.

Accelerated Mobile Pages (AMPs) A standard to increase page download speed on mobile devices, the AMP framework consists of three components: AMP HTML, which is a standard HTML with web components; AMP JavaScript, which manages resource loading; and AMP caches, which can serve and validate AMP pages.

Access platform A method for customers to access digital media.

Accessibility An approach to site design intended to accommodate site usage using different browsers and settings, particularly required by the visually impaired and visitors with other disabilities including motor

control, learning difficulties and deafness. Users whose first language is not English can also be assisted.

Accessibility legislation Legislation intended to assist users of websites with disabilities, including visual disability.

Acquisition *See Customer acquisition.*

Activation A prospect or customer takes the first step in actively using an online service after initial registration or purchase.

ActiveX A programming language standard developed by Microsoft that permits complex and graphical customer applications to be written and then accessed from a web browser. ActiveX components are standard controls that can be incorporated into websites and are then automatically downloaded for users. Examples are graphics and animation or a calculator form for calculating interest on a loan or a control for graphing stock prices. A competitor to Java.

Adaptive mobile web design Generally a more sophisticated approach than responsive web design, which involves delivering an experience optimised for handsets targeted and splits the code and processing to render on different devices between the client and the server.

Ad creative The design and content of an ad.

Ad impression Similar in concept to a page impression; describes one viewing of an advertisement by a single member of its audience. The same as ad view, a term that is less commonly used.

Ad inventory The total number of ad impressions that a website can sell over time (usually specified per month).

Ad network Ad networks from suppliers such as Blue Lithium or 24–7 Media give advertisers the options of advertising across a network of sites to reach a particular demographic, e.g. female 18–25, but at a lower cost than targeting a single site since the actual site used for the ad placement isn't known (hence these are sometimes known as 'blind network buys').

Ad rotation When advertisements are changed on a website for different user sessions. This may be in response to ad targeting or simply displaying different advertisements from those on a list.

Ad serving The term for displaying an advertisement on a website. Often the advertisement will be served from a web server different from the site on which it is placed. For example, the server URL for displaying the advertisement might be <http://ad.doubleclick.net>.

Ad space The area of a web page that is set aside for banner advertising.

Adaptive web design Also known as progressive enhancement, this design technique delivers different layouts and features according to what is supported by browser and screen resolution of the device.

Advertisement Advertisements on websites are usually banner advertisements positioned as a masthead on the page.

Advertising networks A collection of independent websites of different companies and media networks, each of which has an arrangement with a single advertising broker (*see* **Media broker**) to place banner advertisements.

Affiliate A company promoting a merchant, typically through a commission-based arrangement either direct or through an affiliate network.

Affiliate marketing A commission-based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers). Commission is usually based on a percentage of product sale price or a fixed amount for each sale (CPA or cost-per-acquisition), but may also sometimes be based on a per-click basis, for example when an aggregator refers visits to merchants.

Affiliate networks Third-party brokers, also known as affiliate managers, who manage recruitment of affiliates and infrastructure to manage a merchant's affiliate programme in the form of links, tracking and payment of a range of affiliates.

Agents Software programs that can assist people to perform tasks such as finding particular information such as the best price for a product.

Aggregators An alternative term to *price comparison sites*. Aggregators include product, price and service information, comparing competitors within a sector such as financial services, retail or travel. Their revenue models commonly include affiliate revenues (CPA), pay-per-click advertising (CPC) and display advertising (CPM).

Agile software development An iterative approach to developing software and website functionality with the emphasis on face-to-face communications to elicit, define and test requirements. Each iteration or scrum is effectively a mini-software project including stages of planning, requirements analysis, design, coding, testing and documentation.

Allowable cost-per-acquisition A target maximum cost for generating leads or new customers profitably.

Alt tags Alt tags appear after an image tag and contain a phrase associated with that image. For example: ``.

Always-on communications Continuous investment in paid, owned and earned digital media to engage prospects and customers and meet purchase intent as they research products through search, social media and publisher sites.

Anchor text (also known as link text) The (usually) clickable text element representing a hyperlink. Or, more prosaically, the body copy that is hyperlinked.

Animated banner advertisements (animated GIFs) Early banner advertisements featured only a single advertisement, but today they will typically involve several different images, which are displayed in sequence to help attract attention to the banner and build up a theme, often ending with a call-to-action and the injunction to click on the banner. These advertisements are achieved through supplying the ad creative as an animated GIF file with different layers or frames, usually a rectangle of 468 × 60 pixels. Animated banner advertisements are an example of rich-media advertisements.

Application programming interfaces Method of exchanging data between systems such as website services.

Artificial Intelligence Software and services that perform tasks previously requiring human analysis and interaction. Marketing applications of AI typically aim to improve business-to-customer communications including targeting media, personalised messaging and customer service interactions.

Asymmetric encryption Both parties use a related but different key to encode and decode messages.

Atomisation Atomisation in a Web 2.0 context refers to a concept where the content on a site is broken down into smaller fundamental units that can then be distributed via the web through links to other sites. Examples of atomisation include the stories and pages in individual feeds being syndicated to third-party sites and widgets.

Attrition rate Percentage of site visitors who are lost at each stage in making a purchase.

Audit (external) Consideration of the business and economic environment in which the company operates. This includes the economic, political, fiscal, legal, social, cultural and technological factors (usually referred to by the acronym STEP or SLEPT).

Audit (internal) A review of website effectiveness.

Auditors *See Site auditors.*

Augmented reality (AR) In contrast to VR, augmented reality supports and enhances real-world interactions. For example, retailers can enable consumers to try on new clothing or glasses using AR devices.

Authentication *See Security methods.*

Autoresponders Software tools or agents running on web servers that automatically send a standard reply to the sender of an email message. This may provide information for a standard request sent to, say, price_list@company_name.com, or it could simply state that the message or order has been forwarded to the relevant person and will be answered within two days. (Also known as mailbots.)

Availability *See Security methods; Site availability.*

Avatar A term used in computer-mediated environments to mean a ‘virtual person’. Derived from the word’s original meaning: ‘*n.* the descendant of a Hindu deity in a visible form; incarnation; supreme glorification of any principle’.

Average order value (AOV) The average amount spent for a single checkout purchase on a retail site for a particular customer group, e.g. first time purchasers.

Backbones High-speed communication links used to enable Internet communications across a country and internationally.

Backlinks Hyperlinks that link to a particular web page (or website). Also known as inbound links. Google PageRank and Yahoo! WebRank are methods of enumerating this.

Balanced scorecard A framework for setting and monitoring business performance. Metrics are structured according to customer issues, internal efficiency measures, financial measures and innovation.

Bandwidth Indicates the speed at which data are transferred using a particular network medium. It is measured in bits per second (bps):

- kbps (one kilobit per second or 1,000 bps; a modem operates at up to 56.6 kbps).
- Mbps (one megabit per second or 1,000,000 bps; company networks operate at 10 or more Mbps).
- Gbps (one gigabit per second or 1,000,000,000 bps; fibre-optic or satellite links operate at Gbps).

Banner advertisement A typically rectangular graphic displayed on a web page for purposes of brand building or driving traffic to a site. It is normally possible to perform a click-through to access further information from another website. Banners may be static or animated. See **Animated banner advertisements**.

Behavioural ad targeting Enables an advertiser to target ads at a visitor as they move elsewhere on the site or return to the site, thus increasing the frequency or number of impressions served to an individual in the target market.

Behavioural loyalty Loyalty to a brand is demonstrated by repeat sales and response to marketing campaigns.

Bid A commitment by a trader to purchase under certain conditions.

Biddable media Businesses have to bid against other businesses in auctions to achieve visibility for their adverts, for example, when using pay-per-click advertising or programmatic advertising.

Big Data applications in marketing Big Data refers to applications to gain value from the increasing Volume, Velocity and Variety of data integrated from different sources. These enhance insight to deliver more relevant

communications through techniques such as marketing automation and social CRM.

Blog Personal online diary, journal or news source compiled by one person, an internal team or external guest authors. Postings are usually in different categories. Typically comments can be added to each blog posting to help create interactivity and feedback.

Bluecasting Bluecasting involves messages being automatically pushed to a consumer's bluetooth-enabled phone, or they can pull or request audio, video or text content to be downloaded from a live advert. In the future, ads will be able to respond to those who view them.

Blueprints Show the relationships between pages and other content components; can be used to portray organisation, navigation and labelling systems.

Bluetooth A standard for wireless transmission of data between devices over short ranges (less than 10m), e.g. a mobile phone or a PDA.

Botnet Independent computers, connected to the Internet, are used together, typically for malicious purposes through controlling software. For example, they may be used to send out spam or for a denial of service attack where they repeatedly access a server to degrade its software. Computers are often initially infected through a virus when effective anti-virus measures are not in place.

Bounce rate Proportion of visitors to a page or site that exit after visiting a single page only, usually expressed as a percentage.

Brand The sum of the characteristics of a product or service perceived by a user.

Brand advocate A customer who has favourable perceptions of a brand who will talk favourably about a brand to their acquaintances to help generate awareness of the brand or influence purchase intent.

Brand equity The brand assets (or liabilities) linked to a brand's name and symbol that add to (or subtract from) a service.

Brand experience The frequency and depth of interactions with a brand can be enhanced through the Internet.

Brand identity The totality of brand associations including name and symbols that must be communicated.

Branding The process of creating and evolving successful brands.

Bricks-and-mortar A traditional organisation with limited online presence.

Broadband technology A term referring to methods of delivering information across the Internet at a higher rate by increasing bandwidth.

Brochureware A website in which a company has simply transferred ('migrated') its existing paper-based promotional literature onto the Internet without recognising the differences required by this medium.

Browser *See* **Web browser**.

Bundling Offering complementary services.

Business model A summary of how a company will generate revenue, identifying its product offering, value-added services, revenue sources and target customers.

Business-to-business (B2B) Commercial transactions between an organisation and other organisations (inter-organisational marketing).

Business-to-business exchanges or marketplaces Virtual intermediaries with facilities to enable trading between buyers and sellers.

Business-to-consumer (B2C) Commercial transactions between an organisation and consumers.

Buy-side e-commerce E-commerce transactions between a purchasing organisation and its suppliers.

Call centre A location for inbound and outbound telemarketing.

Call-back service A direct response facility available on a website to enable a company to contact a customer by phone at a later time, as specified by the customer.

Campaign-based e-communications E-marketing communications that are executed to support a specific marketing campaign such as a product launch, price promotion or a website launch.

Campaign URL (CURL) A web address specific to a particular campaign.

Capabilities Capabilities are intangible and are developed from the combined and coordinated behaviour and activities of an organisation's

employees, and therefore embedded in the organisation and processes. The definition of a capability is an organisation's ability to 'perform a set of coordinated tasks, utilising organisational resources, for the purposes of achieving a particular end result'.

Card sorting The process of setting up a way of organising objects on the website in a consistent manner.

Cascading style sheets (CSS) A simple mechanism for adding style (e.g. fonts, colours, spacing) to web documents. CSS enables different style elements to be controlled across an entire site or section of site. Style elements that are commonly controlled include typography, background colour and images, and borders and margins.

Catalogue Catalogues provide a structured listing of registered websites in different categories. They are similar to an electronic version of *Yellow Pages*. Yahoo! and Excite are the best known examples of catalogues. (Also known as directories.) The distinction between search engines and catalogues has become blurred since many sites now include both facilities as part of a portal service.

Certificate A valid copy of a public key of an individual or organisation together with identification information. It is issued by a trusted third party (TTP) or certification authority (CA).

Certification authority (CA) An organisation issuing and managing certificates or public keys and private keys to individuals or organisations together with identification information.

Change management Controls to minimise the risks of project-based and organisational change.

Channel buyer behaviour Describes which content is visited and the time and duration.

Channel conflicts A significant threat arising from the introduction of an Internet channel is that while disintermediation gives the opportunity for a company to sell direct and increase the profitability of products it can also threaten existing distribution arrangements with existing partners.

Channel marketing strategy Defines how a company should set specific objectives for a channel such as the Internet and vary its proposition and communications for this channel.

Channel outcomes Record customer actions taken as a consequence of a visit to a site.

Channel profitability The profitability of a website, taking into account revenue and cost and discounted cash flow.

Channel promotion Measures that assess why customers visit a site – which adverts they have seen, which sites they have been referred from.

Channel satisfaction Evaluation of the customer's opinion of the service quality on the site and supporting services such as email.

Churn rates The percentage of customers who end their relationship with a company, typically calculated as the number of customers who left a company during a period divided by total customers at the beginning of the period. It is straightforward to calculate for subscription businesses, but requires a definition of active customers for other types of business like a retailer.

Channel structure The configuration of partners in a distribution channel.

Click ecosystem Describes the customer behaviour or flow of online visitors between search engines, media sites, other intermediaries to an organisation and its competitors.

Clicks-and-mortar A business combining online and offline presence.

Clicks-only or Internet pureplay An organisation with principally an online presence.

Clickstream A record of the path a user takes through a website. Clickstreams enable website designers to assess how their site is being used.

Clickstream analysis Reviewing the online behaviour of site visitors based on the sequence of pages that they visit, the navigation and promotion they respond to, the ultimate outcomes and where they leave the site.

Click-through A click-through (ad click) occurs each time a user clicks on a banner advertisement to direct them to a web page that contains further information.

Click-through rate Expressed as a percentage of total ad impressions, and refers to the proportion of users viewing an advertisement who click on it. It

is calculated as the number of click-throughs divided by the number of ad impressions.

Click-tracking Java technology can be used to track movements of individual users to a website.

Client discovery process An initiative to learn what a client or brand needs from a campaign, their strategic initiatives that it must align with, their goals and their marketing outcomes.

Client–server The client–server architecture consists of client computers such as PCs sharing resources such as a database stored on a more powerful server computer.

Cloud Computing A term that is a metaphor for shared computing resources, which require minimal management input and can be accessed via the Internet. Relies on sharing of computing resources.

Co-branding An arrangement between two or more companies where they agree to jointly display content and perform joint promotion using brand logos, email marketing or banner advertisements. The aim is that the brands are strengthened if they are seen as complementary. Co-branding is often a reciprocal arrangement that can occur without payment as part of a wider agreement between partners.

Co-marketing A partnership agreement reached between different businesses to promote each other, typically based on sharing content (and potentially promotions) principally to the audience of owned media channels such as social media, blog and email marketing.

Cold list Data about individuals that are rented or sold by a third party.

Collaborative filtering Profiling of customer interest coupled with delivery of specific information and offers, often based on the interests of similar customers.

Commoditisation The process whereby product selection becomes more dependent on price than on differentiating features, benefits and value-added services.

Competitive intelligence (CI) A process that transforms disaggregated information into relevant, accurate and usable strategic knowledge about competitors, position, performance, capabilities and intentions.

Competitor analysis Review of Internet marketing services offered by existing and new competitors and adoption by their customers.

Competitor benchmarking A structured analysis of the online services, capabilities and performance of an organisation within the areas of customer acquisition, conversion, retention and growth.

Confidentiality *See Security methods.*

Consumer-to-business (C2B) Consumers approach the business with an offer.

Consumer-to-consumer (C2C) Informational or financial transactions between consumers, but usually mediated through a business site.

Consumer behaviour Research into the motivations, media consumption preferences and selection processes of consumers as they use digital channels together with traditional channels to purchase online products and use other online services.

Consumer behaviour analysis In digital markets, this type of analysis involves research into the motivations, media consumption preferences and selection processes used by consumers as they use digital channels together with traditional channels to purchase online products and use other online services.

Contact or touch strategy Definition of the sequence and type of outbound communications required at different points in the customer lifecycle.

Content Content is the design, text and graphical information that forms a web page. Good content is the key to attracting customers to a website and retaining their interest or achieving repeat visits.

Content audit A structured review of the effectiveness of different content types and formats to meet the needs of users and businesses using quantitative and qualitative techniques.

Content developer A person responsible for updating web pages within part of an organisation.

Content distribution (or delivery) networks (CDNs) A system of servers distributed globally with copies of data stored locally to enable more rapid download of content. Their use has increased with increased use of streaming video and more complex web applications.

Content management Software tools for managing additions and amendments to website content.

Content management system (CMS) A software tool for creating, editing and updating documents accessed by intranet, extranet or Internet.

Content marketing The management of text, rich media, audio and video content aimed at engaging customers and prospects to meet business goals published through print and digital media including web and mobile platforms, which is repurposed and syndicated to different forms of web presence such as publisher sites, blogs, social media and comparison sites.

Content marketing hub A central, branded location where your audience can access and interact with all your key content marketing assets. In a practical sense, the content hub can be a blog or new section, an online customer magazine or a resource centre.

Content network Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or CPA basis. There are also options for graphical or video ads in addition to text-based ads.

Content strategy The management of text, rich media, audio and video content aimed at engaging customers and prospects to meet business goals published through print and digital media including web and mobile platforms, which is repurposed and syndicated to different forms of web presence such as publisher sites, blogs, social media and comparison sites.

Contextual ads Ads relevant to page content on third-party sites brokered by search ad networks.

Contextual marketing Relevant communications are delivered consistent with the context of the recipient, which can depend on their location, time or place.

Continuous e-communications activities Long-term use of e-marketing communications intended to generate site visitors for customer acquisition (such as search engine, affiliate marketing and online sponsorship) and retention (for example, e-newsletter marketing).

Contra-deals A reciprocal agreement in the form of an exchange where payment doesn't take place. Instead services or ad space promote another company as part of co-branding.

Control page The page against which subsequent optimisation will be assessed. Typically a current landing page. When a new page performs better than the existing control page, it becomes the control page in subsequent testing. Also known as ‘champion-challenger’.

Convergence A trend in which different hardware devices such as televisions, computers and telephones merge and have similar functions.

Conversion marketing Using marketing communications to maximise conversion of potential customers to actual customers.

Conversion rate Proportion of visitors to a site, or viewers of an advert, who take an action such as registration or checkout. *See* **Visit conversion rate** and **Visitor conversion rate**.

Conversion rate optimisation (CRO) Improving the commercial returns from a transactional site through increasing conversion to key goals such as sales, quotes or bookings or leads. CRO combines customer and competitor research with evaluation of customer behaviour using web analytics and AB and multivariate testing.

Cookies Cookies are small text files stored on an end user’s computer to enable websites to identify the user. They enable a company to identify a previous visitor to a site, and build up a profile of that visitor’s behaviour. *See* **Persistent cookies, Session cookies, First-party cookies, Third-party cookies**.

Core product The fundamental features of the product that meet the user’s needs.

Cost-per-acquisition (CPA) The cost of acquiring a new customer. Typically limited to the communications cost and refers to cost-per-sale for new customers. May also refer to other outcomes such as cost-per-quote or enquiry.

Cost-per-click (CPC) The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

Cost-per-targeted thousand (CPTM) Cost-per-targeted thousand (mille) for an advertisement. *See* **Targeting**.

Cost per thousand (CPM) Cost per 1,000 ad impressions.

Countermediation Creation of a new intermediary by an established company.

Cross-media optimisation studies (XMOS) Studies to determine the optimum spend across different media to produce the best results.

Cross-selling Persuading existing customers to purchase products from other categories than their typical purchases.

Customer acquisition Strategies and techniques used to gain new customers.

Customer-centric marketing An approach to marketing based on detailed knowledge of customer behaviour within the target audience, which seeks to fulfil the individual needs and wants of customers.

Customer communications channels The range of media used to communicate directly with a customer.

Customer engagement Repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand.

Customer engagement strategy A strategy to encourage interaction and participation of consumers with a brand through developing content and experiences with the aim of meeting commercial objectives. It is closely related to the development of content marketing and social media strategy.

Customer experience *See Online customer experience.*

Customer experience management (CXM) A holistic approach to managing customer experience and customer engagement across digital and non-digital touch-points including web, mobile and social digital platforms, in-store and by call centres.

Customer extension Techniques to encourage customers to increase their involvement with an organisation.

Customer identity and access management (CIAM) A category of application for managing user access and consent to online information and services typically known as social log-in or sign-on.

Customer insight Knowledge about customers' needs, characteristics, preferences and behaviours based on analysis of qualitative and quantitative data. Specific insights can be used to inform marketing tactics directed at groups of customers with shared characteristics.

Customer journey A description of modern multichannel buyer behaviour as consumers use different media to select suppliers, make purchases and gain customer support.

Customer lifecycle The stages each customer will pass through in a long-term relationship, through acquisition, retention and extension.

Customer loyalty The desire on the part of the customer to continue to do business with a given supplier over time. *See* **Behavioural loyalty** and **Emotional loyalty**.

Customer Preference Centre Profile page(s) that enables customers to tailor the type and frequency of communications they receive.

Customer orientation Providing content and services on a website consistent with the different characteristics of the audience of the site.

Customer profiling Using the website to find out customers' specific interests and characteristics.

Customer relationship management (CRM) A marketing-led approach to building and sustaining long-term business with customers.

Customer retention Techniques to maintain relationships with existing customers.

Customer satisfaction The extent to which a customer's expectations of product quality, service quality and price are met.

Customer scenarios (online customer journeys) Alternative tasks or outcomes required by a visitor to a website. Typically accomplished in a series of stages of different tasks involving different information needs or experiences.

Customer segments Groups of customers sharing similar characteristics, preferences and behaviours who are targeted with different propositions as part of *target marketing strategy*.

Customer selection Identifying key customer segments and targeting them for relationship building.

Customer touchpoints Communications channels through which companies interact directly with prospects and customers. Traditional touchpoints include face to face (in-store or with sales representatives),

phone and mail. Digital touchpoints include web services, email and, potentially, mobile phone.

Cyberspace and cybermarketing These terms were preferred by science-fiction writers and tabloid writers to indicate the futuristic nature of using the Internet, the prefix 'cyber' indicating a blurring between humans, machines and communications. The terms are not frequently used today since the terms Internet, intranet and World Wide Web are more specific and widely used.

Data lake A storage repository that holds a diversity of raw data in its native format where it is available for analysis and reporting by people across a company. This contrasts to a data warehouse, which contains structured data.

Data subject The legal term to refer to the individual whose data are held.

Data mining Extracting data from legacy systems and other resources; cleaning, scrubbing and preparing data for decision support; maintaining data in appropriate data stores; accessing and analysing data using a variety of end-user tools; and mining data for significant relationships. The primary purpose of these efforts is to provide easy access to specially prepared data that can be used with decision-support applications such as management reports, queries, decision-support systems, executive information systems and data mining.

Database marketing The process of systematically collecting, in electronic or optical form, data about past, current and/or potential customers, maintaining the integrity of the data by continually monitoring customer purchases, by enquiring about changing status, and by using the data to formulate marketing strategy and foster personalised relationships with customers.

Decryption The process of decoding (unscrambling) a message that has been encrypted using defined mathematical rules.

Deep linking Jakob Nielsen's term for a user arriving at a site deep within its structure, or where search engines index a mirrored copy of content normally inaccessible by search engine spiders.

Deliverability Deliverability refers to ensuring email messages are delivered and aren't blocked by spam filters because the email content or

structure falsely identifies a permission-based email as a spammer, or because the sender's IP address has a poor reputation for spam.

Demand analysis Quantitative determination of the potential usage and business value achieved from online customers of an organisation.

Qualitative analysis of perceptions of online channels is also assessed.

Demand analysis for e-commerce Assessment of the demand for e-commerce services among existing and potential customer segments using the ratio Access:Choose:Buy online.

Demand Side Platforms (DSPs) A service that enables ads to be managed across multiple ad networks and ad exchanges through a single interface designed for managing reporting and performance.

Demographic characteristics Variations in attributes of the population such as age, sex and social class.

Denial of service attack Also known as a distributed denial of service (DDOS) attack, this involves a hacker group taking control of many 'zombie' computers attached to the Internet whose security has been compromised. This 'botnet' is then used to make many requests to a target server, thereby overloading it and preventing access to other visitors.

Design for analysis (DFA) The required measures from a site are considered during design to better understand the audience of a site and their decision points.

Design phase (of site construction) The design phase defines how the site will work in the key areas of website structure, navigation and security.

Destination site Frequently used to refer to the site that is visited following a click-through on a banner advertisement. Could also apply to any site visited following a click on a hyperlink.

Destination store A retail store in which the merchandise, selection, presentation, pricing or other unique features act as a magnet for the customer.

Development (of site construction) 'Development' is the term used to describe the creation of a website by programmers. It involves writing the HTML content, creating graphics, and writing any necessary software code such as JavaScript or ActiveX (programming).

DevOps An approach to development of systems which involves a more collaborative and closer relationship between development teams and operations teams with the aim of reducing deployment times and frequency of system updates and improving their stability.

Differential advantage A desirable attribute of a product that is not currently matched by competitor offerings.

Differential pricing Identical products are priced differently for different types of customers, markets or buying situations.

Digital assets The graphical and interactive material that supports a campaign displayed on third-party sites and on microsites, including display ads, email templates, video, audio and other interactive media such as Flash animations.

Digital brand A digital brand is a brand identity used for a product or company online that differs from the traditional brand. (Also known as an online brand.)

Digital certificates (keys) A method of ensuring privacy on the Internet. Certificates consist of keys made up of large numbers that are used to uniquely identify individuals. *See Public key.*

Digital customer experience A brand's total digital experience includes a brand's presence on different platforms including desktop website, mobile site and apps, ads on gaming platforms and digital in-store. It is based on the combination of rational and emotional factors of using a company's online services that influences customers' perceptions of a brand online.

Digital disruptors Innovations in digital media, data and marketing technology that enable a change to a new basis for competition in a market or across markets. Disruptors are also used to refer to startup or existing companies who, through their agility, are good examples of impacting competitors through disruption.

Digital disruption Innovations in digital media, data and marketing technology that enable a change to a new basis for competition in a market or across markets.

Digital marketing This has a similar meaning to 'electronic marketing' – both describe the management and execution of marketing using electronic media such as the web, email, interactive TV, IPTV and wireless media in

conjunction with digital data about customers' characteristics and behaviour.

Digital marketing metrics Measures that indicate the effectiveness of digital marketing activities integrated across different channels and platforms in meeting customer, business and marketing objectives.

Digital marketing strategy Definition of the approach by which applying digital technology platforms will support marketing and business objectives.

Digital media Communications are facilitated through content and interactive services delivered by different digital technology platforms including the Internet, web, mobile phone, interactive TV, IPTV and digital signage. *See Digital media channels.*

Digital media 'assists' A referrer of a visit to a site before the ultimate site is credited with the sale, often through a weighting system.

Digital media channels Online communications techniques such as search engine marketing, affiliate marketing and display advertising used to engage web users on third-party sites, encouraging them to visit an organisation's site or purchase through traditional channels such as by phone or in store.

Digital media de-duplication A single referrer of a visit leading to sale is credited with the sale based on the last-click method of digital media channel attribution.

Digital rights management (DRM) The use of different technologies to protect the distribution of digital services or content such as software, music, movies or other digital data.

Digital signage The use of interactive digital technologies within billboard and point-of-sale ads. For example, videos and bluetooth interaction.

Digital signatures The electronic equivalent of written signatures, which are used as an online method of identifying individuals or companies using public-key encryption.

Digital television Information is received and displayed on a digital television using binary information (0s and 1s), giving options for better picture and sound quality and providing additional information services based on interactivity. *See Interactive digital TV.*

Digital transformation A staged programme of business improvements to People, Process and Tools used for integrated digital marketing to maximise the potential contribution of digital technology and media to business growth.

Direct-to-customer model A brand that has previously communicated to its customers via intermediaries such as media sites or wholesalers communicates directly via digital media such as social networks, email and websites.

Direct marketing Marketing to customers using one or more advertising media aimed at achieving measurable response and/or transaction.

Direct response Usually achieved in an Internet marketing context by call-back services.

Directories Directory websites provide a structured listing of registered websites in different categories. They are similar to an electronic version of *Yellow Pages*. Yahoo! and Excite are the best-known examples of directories. (Also known as catalogues.)

Discovery or analysis phase The identification of the requirements of an online service. Techniques to achieve this may include quantitative analysis of digital analytics data and qualitative analysis involving focus groups, questionnaires sent to existing customers or interviews with key accounts.

Disintermediation The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers.

Display advertising Paid ad placements using graphical or *rich media ad units* within a web page to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to interact or *rollover* to play videos, complete an online form or to view more details by clicking through to a site.

Display (or content) network Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or a CPA basis. There are also options for graphical or video ads as well as text-based ads.

Disruptive technologies New technologies that prompt businesses to reappraise their strategic approaches.

Distribution channels The mechanism by which products are directed to customers, either through intermediaries or directly.

Domain name The web address that identifies a web server. *See Domain name system.*

Domain name registration The process of reserving a unique web address that can be used to refer to the company website.

Domain name system (DNS) The domain name system (DNS) provides a method of representing Internet Protocol (IP) addresses as text-based names. These are used as web addresses. For example, www.microsoft.com is the representation of site 207.68.156.58. Domain names are divided into the following categories:

- Top-level domain name such as .com or .co.uk. (Also known as Global (or generic) top-level domain names (gLTD).)
- Second-level domain name. This refers to the company name and is sometimes referred to as the ‘enterprise name’, e.g. **novell.com**.
- Third-level or sub-enterprise domain name. This may be used to refer to an individual server within an organisation, such as **support.novell.com**.

Doorway pages Specially constructed pages that feature keywords for particular product searches. These often redirect visitors to a home page.

Download The process of retrieving electronic information such as a web page or email from another remote location such as a web server.

Duplicate content Different pages that are evaluated by the search engine to be similar and so don’t rank highly, even though they may be for distinct products or services.

Dynamic content email Copy, creative and offer in an email is customised based on rules or real-time content to increase its relevance and response.

Dynamic pricing Prices can be updated in real time according to the type of customer or current market conditions.

Dynamic web page A page that is created in real time, often with reference to a database query, in response to a user request.

Early adopters Companies or departments that invest in new marketing techniques and technologies when they first become available in an attempt to gain a competitive advantage despite the higher risk entailed than that involved in a more cautious approach.

Early- (first-) mover advantage An early entrant into the marketplace.

Earned media The audience is reached through editorial, comments and sharing online.

Earnings-per-click (EPC) A relative measure of the effectiveness of a site or section of a site in generating revenue for the site owner through affiliate marketing for every 100 outbound clicks generated.

E-business *See Electronic business.*

E-cash *See Digital cash.*

E-commerce *See Electronic commerce.*

Econometric modelling A quantitative technique to evaluate the past influence or predict the future influence on a dependent variable (typically sales in a marketing context) of independent variables, which may include Product, Price, Promotions and the level and mix of media investments.

Editorial calendar A plan for scheduling the creation of new or updated content for different audiences to support business goals for new visitors or increased conversion as part of content marketing.

Effective cost-per-thousand (eCPM) A measure of the total revenue a site owner can achieve through advertising or other revenue options. eCPM is calculated as advertising revenue achieved for every 1,000 pages that are served for the whole site or a section. *See EPC.*

Effective frequency The number of exposures or ad impressions (frequency) required for an advertisement to become effective.

Effectiveness Meeting process objectives, delivering the required outputs and outcomes. ‘Doing the right thing.’

Efficiency Minimising resources or time needed to complete a process. ‘Doing the thing right.’

E-government The use of Internet technologies to provide government services to citizens.

Electronic business (e-business) All electronically mediated information exchanges, both within an organisation and with external stakeholders, supporting the range of business processes.

Electronic cash *See Digital cash.*

Electronic commerce (e-commerce) All financial and informational electronically mediated exchanges between an organisation and its external stakeholders. *See Buy-side e-commerce and Sell-side e-commerce.*

Electronic commerce transactions Transactions in the trading of goods and services conducted using the Internet and other digital media.

Electronic customer relationship management (e-CRM) Using digital communications technologies to maximise sales to existing customers and encourage continued usage of online services. Today, CRM is synonymous with E-CRM.

Electronic mail (email) Sending messages or documents, such as news about a new product or sales promotion, between individuals. A primitive form of push channel. Email may be inbound or outbound.

Electronic mail advertising Advertisements contained within email such as newsletters.

Electronic marketing (e-marketing) Achieving marketing objectives through use of electronic communications technology.

Electronic procurement (e-procurement) The electronic integration and management of all procurement activities including purchase request, authorisation, ordering, delivery and payment between a purchaser and a supplier.

Electronic shopping or ES test This test was developed by de Kare-Silver to assess the extent to which consumers are likely to purchase a particular retail product using the Internet.

Email marketing Typically applied to outbound communications from a company to prospects or customers to encourage purchase or branding goals. Email marketing is most commonly used for mailing to existing customers on a house list, but can also be used for mailing prospects on a rented or co-branded list. Emails may be sent as part of a one-off campaign or can be automated, event-based triggered emails such as a Welcome

strategy, which can be broadcast based on rules about intervals and customer characteristics. *See* **Inbound email** and **Outbound email**.

Email service providers (ESPs) Provide a web-based service used by marketers to manage their email activities including hosting email subscription forms, broadcast and tracking.

E-marketing *See* **Electronic marketing**.

Emergent strategy Strategic analysis, strategic development and strategy implementation are interrelated and are developed together.

Emotional loyalty Loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations.

Encryption The scrambling of information into a form that cannot be interpreted. Decryption is used to make the information readable.

Entry page The page at which a visitor enters a website. It is identified by a log file analyser. *See* **Exit page** and **Referring site**.

Environmental scanning and analysis The process of continuously monitoring the environment and analysing events in an organisation's environment(s) that have implications for planning and responding accordingly.

E-retail The sale of goods and services via the Internet or other electronic channels for individual consumers. This definition includes all e-commerce and related activities that ultimately result in transactions.

Ethical standards Practices or behaviours that are morally acceptable to society.

Evaluating a website *See* **Website measurement**.

Exchange *See* **Business-to-business exchanges or marketplaces**.

Exit page The page from which a visitor exits a website. It is identified by web analytics services.

Expert reviews An analysis of an existing site or prototype by an experienced usability expert who will identify deficiencies and improvements to a site based on their knowledge of web design principles and best practice.

Extended product Additional features and benefits beyond the core product.

Extension *See Customer extension.*

External link building A proactive approach to gain quality links from third-party sites.

Extranet Formed by extending an intranet beyond a company to customers, suppliers, collaborators or even competitors. This is password-protected to prevent access by general Internet users.

Facebook commerce (F-commerce) Retailers create an online store within Facebook, often with a limited range of stock.

Faceted navigation Used to enable users to rapidly filter results from a product search based on different ways of classifying the product by their attributes or features. For example, by brand, by sub-product category, by price bands.

Feed or RSS feed Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader services such as Google Reader, personalised home pages or email systems. RSS stands for *really simple syndication*.

File Transfer Protocol (FTP) A standard method for moving files across the Internet. FTP is available as a feature of web browsers that is sometimes used for marketing applications such as downloading files like product price lists or specifications. Standalone FTP packages such as WSFTP are commonly used to update HTML files on web servers when uploading revisions to the web server.

Findability An assessment of how easy it is for a web user to locate a single content object or to use browse navigation and search system to find content. Like usability, it is assessed through efficiency – how long it takes to find the content – and effectiveness – how satisfied the user is with the experience and relevance of the content they find.

Firewall A specialised software application mounted on a server at the point where a company is connected to the Internet. Its purpose is to prevent unauthorised access into the company by outsiders. Firewalls are essential for all companies hosting their own web server.

First-party cookies Served by the site currently in use – typical for e-commerce sites.

Flow Describes a state in which users have a positive experience from readily controlling their navigation and interaction on a website.

Focus groups Online focus groups have been conducted by w3focus.com. These follow a bulletin board or discussion group form where different members of the focus group respond to prompts from the focus group leaders.

Form A method on a web page of entering information such as order details.

Forward auctions Item purchased by highest bid made in bidding period.

Forward path analysis Forward path analysis reviews the combinations of clicks that occur from a page. This form of analysis is most beneficial when it is forward from important pages such as the home page, product and directory pages. This technique is used to identify messaging/navigation combinations that work best to yield the most clicks from a page. Similar, effective messaging approaches can then be deployed elsewhere on the site.

Frame A technique used to divide a web page into different parts, such as a menu and separate content.

Gamification The process of applying game thinking and mechanics to engage an audience by rewarding them for achievements and sharing.

Global (or generic) top-level domain names (gLTD) The part of the domain name that refers to the category of site. The gLTD is usually the right-most part of the domain name, such as .co.uk or .com.

Globalisation The increase of international trading and shared social and cultural values.

Google Ads enhanced campaigns An approach introduced by Google in 2013 to simplify the management of ads displayed in different locations, different day parts (times of day) and on different devices.

Google Display Network (GDN) Different types of online publishers agree for Google to display contextual ads on their sites for a fee, for example as part of the AdSense programme.

Google's Product Listing Ads (PLAs) Product information such as pricing and images are uploaded to Google's servers using a product feed in XML or text formats for display in ads within Google AdWords or Google Shopping.

GPRS This is approximately five times faster than GSM and is an 'always-on' service that is charged according to usage. Display is still largely text-based and based on the WAP protocol.

Graphic design All factors that govern the physical appearance of a web page.

Graphics Interchange Format (GIF) A graphics format used to display images within web pages. An interlaced GIF is displayed gradually on the screen, building up an image in several passes.

Growth hacking A mindset that focuses marketing activities on increasing the scale and profitability of a business through testing and improving techniques for improving the value of audience touchpoints across the customer lifecycle of Reach, Interactions, Conversion and Engagement.

GSM The digital transmission technique standard used widely for mobile voice data.

Hacker Someone who enjoys exploring the details of programmable systems and how to stretch their capabilities.

Halo effect The role of one media channel on influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer. *See* Media-multiplier.

Hard launch A site is launched once fully complete with full promotional effort.

Hit A hit is recorded for each graphic or page of text requested from a web server. It is not a reliable measure for the number of people viewing a page. A page impression is a more reliable measure, denoting one person viewing one page.

Home page The index page of a website with menu options or links to other resources on the site. Usually denoted by <web address>/index.html.

House list A list of prospect and customer names, email addresses and profile information owned by an organisation.

HTML (Hypertext Markup Language) A standard format used to define the text and layout of web pages. HTML files usually have the extension HTML or.HTM.

HTTP (Hypertext Transfer Protocol) A standard that defines the way information is transmitted across the Internet.

Hurdle rate The proportion of customers that fall within a particular level of activity. For example, the percentage of members of an email list that click on the email within a 90-day period, or the number of customers that have made a second purchase.

Hype cycle A graphic representation of the maturity, adoption and business application of specific technologies.

Hyperlink A method of moving between one website page and another, indicated to the user by text highlighted by underlining and/or a different colour. Hyperlinks can also be achieved by clicking on a graphic image such as a banner advertisement that is linked to another website.

Identity theft The misappropriation of the identity of another person, without their knowledge or consent.

Inbound email Email arriving at a company.

Inbound email marketing Management of emails from customers by an organisation.

Inbound digital communications Customers enquire through web-based form and email. *See Web self-service.*

Inbound link *See Backlink.*

Inbound marketing The consumer is proactive in seeking out information for their needs, and interactions with brands are attracted through content, search and social media marketing.

Incidental offline advertising Driving traffic to the website is not a primary objective of the advert.

Index inclusion Ensuring that as many of the relevant pages from your domain(s) are included within the search engine indexes you are targeting to be listed in.

Influencer relationship management (IRM) A structured process to continuously manage and measure influencer outreach as a programme of campaigns based on content-assets and ‘always-on’ activities against defined goals.

Information architecture The combination of organisation, labelling and navigation schemes constituting an information system.

Information organisation schemes The structure chosen to group and categorise information.

Initiation of the website project This phase of the project should involve a structured review of the costs and benefits of developing a website (or making a major revision to an existing website). A successful outcome to initiation will be a decision to proceed with the site development phase, with an agreed budget and target completion date.

Integrated marketing communications The coordination of communications channels to deliver a clear, consistent message.

Integrity *See Security methods.*

Intellectual property rights (IPRs) Protect the intangible property created by corporations or individuals that is protected under copyright, trade secret and patent laws.

Interactive banner advertisement A banner advertisement that enables the user to enter information.

Interactivity The medium enables a dialogue between company and customer.

Interaction rate (IR) The proportion of ad viewers who interact with an online ad through rolling over it. Some will be involuntary depending on where the ad is placed on screen, so it is highly dependent on placement.

Internal link architecture Structuring and labelling links within a site’s navigation to improve the results of SEO.

Intermediaries Online sites that help bring together different parties such as buyers and sellers.

Internet The physical network that links computers across the globe. It consists of the infrastructure of network servers and communication links between them that are used to hold and transport the vast amount of information on the Internet.

Internet of Things (IoT) A system of devices, software, objects, people or animals with unique identifiers that can transfer data over a network via machine-to-machine (M2M) interactions without human interaction.

Internet-based market research The use of online questionnaires and focus groups to assess customer perceptions of a website or broader marketing issues.

Internet contribution An assessment of the extent to which the Internet contributes to sales is a key measure of the importance of the Internet to a company.

Internet governance Control of the operation and use of the Internet.

Internet marketing The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives.

Internet marketing metrics *See Metrics for Internet marketing.*

Internet marketing strategy Definition of the approach by which Internet marketing will support marketing and business objectives.

Internet Protocol Television (IPTV) Digital television service delivered using Internet protocol, typically by a broadband connection. IPTV can be streamed for real-time viewing or downloaded before playback.

Internet pureplay An organisation with the majority of its customer-facing operations online, e.g. Egg.

Internet service provider (ISP) Company that provides home or business users with a connection to access the Internet. It can also host websites or provide a link from web servers to allow other companies and consumers access to a corporate website.

Interruption marketing Marketing communications that disrupt customers' activities.

Interstitial ads Ads that appear between one page and the next.

Intranet A network within a single company that enables access to company information using the familiar tools of the Internet such as web browsers and email. Only staff within a company can access the intranet, which will be password-protected.

Java A programming language standard supported by Sun Microsystems, which permits complex and graphical customer applications to be written and then accessed from a web browser. An example might be a form for calculating interest on a loan. A competitor to ActiveX.

Javascript A form of programming language embedded into websites using the <script> tag used to manage interactions and integrated different marketing technology.

Key online influencers Celebrities, individuals well known in their niche or publishers that an online target audience listens to and interacts with. Online influencer outreach or ‘blogger outreach’ can help companies reach and engage a wider audience. Recently video bloggers (‘vloggers’ or ‘YouTubers’) have become popular among teenage audiences.

Key performance indicators (KPIs) Metrics used to assess the performance of a process and/or whether goals set are achieved.

Keyphrase (keyword phrase) The combination of words users of search engines type into a search box that form a search query.

Knowledge Graph An infrastructure developed by Google to display related information about people, places and objects.

Lagging performance indicator A metric that indicates past performance. Corrective action can then be applied to improve performance.

Landing page A destination page when a user clicks on an ad or other form of link from a *referring site*. It can be a home page, but more typically and desirably a landing page is a page with the messaging focused on the offer in the ad. This will maximise conversion rates and brand favourability.

Last-click method of digital media channel attribution The site that referred a visitor immediately before purchase is credited with the sale. Previous referrals influenced by other customer touchpoints on other sites are ignored.

Latency The average length of time that different customer types take between different activities, e.g. log-ins, paying bills, first and second

purchase.

Lead Details about a potential customer (prospect). *See* **Qualified lead**.

Leading performance indicator A measure that is suggestive of future performance and so can be used to take proactive action to shape future performance.

Lead generation offers Offered in return for customers providing their contact details and characteristics. Commonly used in B2B marketing where free information such as a report or a seminar will be offered.

Lifetime value (LTV) The total net benefit that a customer or group of customers will provide a company over their total relationship with a company.

Link anchor text The text used to form the blue, underlined hyperlink viewed in a web browser defined in the HTML source. For example: Visit Dave Chaffey's web log is created by the HTML code: <A HREF="<http://www.davechaffey.com>">Visit Dave Chaffey's web log.

Link building A proactive approach to gain quality links from third-party sites.

List broker Will source the appropriate email list(s) from the list owner.

List owner Has collected email addresses which are offered for sale.

Live website Current site accessible to customers, as distinct from test website.

Localisation Designing the content of the website in such a way that it is appropriate to different audiences in different countries.

Location-based marketing Location or proximity-based marketing is mobile marketing based on the GPS built into phones or based on interaction with other local digital devices.

Log file A file stored on a web server that records every item downloaded by users.

Log file analysis Web analytics tool that is used to build a picture of the amount of usage of different parts of a website based on the information contained in the log file.

Long-tail concept A frequency distribution suggesting the relative variation in popularity of items selected by consumers.

Loyalty techniques Customers sign up to an incentive scheme where they receive points for repeat purchases, which can be converted into offers such as discounts, free products or cash. (Also known as online incentive schemes.)

Machine-to-Machine (M2M connections) These include home and office security and automation, smart metering and utilities, maintenance, building automation, automotive, healthcare and consumer electronics.

Machine learning Creating and applying predictive models and algorithms with the ability to learn without being explicitly programmed. The computer models then make predictions of success based on patterns extracted from historical data. These are used to define rules, which are implemented to automate tasks such as targeting media or emails to the most valuable segments with the most relevant creative, offer and timing.

Macro-environment Broader forces affecting all organisations in the marketplace including social, technological, economic, political and legal aspects.

Mailbots *See Autoresponders.*

Maintenance process The work involved in running a live website such as updating pages and checking the performance of the site.

Malware Malicious software or toolbars, typically downloaded via the Internet, which act as a 'trojan horse' by executing other unwanted activities such as keylogging of user passwords or viruses that may collect email addresses.

Marketing automation Enables businesses to automate tasks in the marketing and sales process to make the process to deliver more relevant communications, typically delivered as personalised emails and website messages.

Marketing intermediaries Firms that can help a company to promote, sell and distribute its products or services.

Marketing-led site design Site design elements are developed to achieve customer acquisition, retention and communication of marketing messages.

Marketing mix The series of seven key variables – Product, Price, Place, Promotion, People, Process and Physical evidence – that are varied by marketers as part of the customer offering.

Marketing orchestration Designing customer contact strategies to deliver the most relevant, most responsive messages integrated across different communications channels based on customer context. Customer strategies are managed by marketing automation systems using rules or Artificial Intelligence based on Big Data analysis.

Marketing planning A logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Marketplace *See Business-to-business exchanges or marketplaces.*

Marketspace A virtual marketplace such as the Internet in which no direct contact occurs between buyers and sellers. (Also known as electronic marketspace.)

Markup language *See HTML, XML.*

Martech stack A combination of different software services or tools used to run all marketing operations across multiple channels including customer acquisition, conversion, retention, team communications and to deliver customer and market insight and reporting.

Mashup Websites, pages or widgets that combine the content or functionality of one website or data source with another to create something offering a different type of value to web users from the separate types of content or functionality.

Mass customisation The ability to create tailored marketing messages or products for individual customers or a group of similar customers (a bespoke service), yet retain the economies of scale and the capacity of mass marketing or production.

Mass marketing One-to-many communication between a company and potential customers, with limited tailoring of the message.

Measurement *See Website measurement.*

Media buyer The person within a company wishing to advertise who places the advertisement, usually via a media broker.

Media buying The process of purchasing media to meet the media plan requirements at the lowest costs.

Media fragmentation Describes a trend to increasing choice and consumption of a range of media in terms of different channels such as web and mobile and also within channels, for example more TV channels, radio stations, magazines, more websites. Media fragmentation implies increased difficulty in reaching target audiences.

Media multiplier or halo effect The role of one media channel on influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer.

Media owners The owners of websites (or other media such as newspapers) that accept advertisements.

Media planning The process of selecting the best combination of media to achieve marketing campaign objectives. Answers questions such as ‘How many of the audience can I reach through different media?’, ‘On which media (and ad vehicles) should I place ads?’, ‘Which frequency should I select?’, ‘How much money should be spent in each medium?’

Media queries A styling approach within cascading style sheets (CSS3) enabling the layout to change based on type of device at its scale.

Media site Typical location where paid-for ads are placed.

Merchandising *See Web merchandising.*

Meta-data Literally, data about data – a format describing the structure and content of data.

Memes An idea, theme or trend that engages an audience and spreads through viral communications.

Meta search engines Meta search engines submit keywords typed by users to a range of search engines in order to increase the number of relevant pages since different search engines may have indexed different sites. An example is the meta-crawler search engine or www.mamma.com.

Meta-tags Text within an HTML file summarising the content of the site (content meta-tag) and relevant keywords (keyword meta-tag), which are matched against the keywords typed into search engines.

Metrics for Internet marketing Measures that indicate the effectiveness of Internet marketing activities in meeting customer, business and marketing objectives.

Micro-environment The *actors* (stakeholders) and their interactions that influence how an organisation responds in its marketplace.

Microformats A semantic definition in XML/HTML of a specific information type within a web page such as a product, event, recipe or review. Schema.org manages some of the most common definitions.

Microsite Specialised content that is part of a website that is not necessarily owned by the organisation. If owned by the company it may be as part of an extranet. *See Nested ad content.*

Mixed-mode buying The process by which a customer changes between online and offline channels during the buying process.

Mobile-based apps Designed to run on smartphones and tablet computers, apps provide users with rich mobile content by deploying the handset's multiple native capabilities. Apps are available for download from app stores hosted by the mobile operating systems (e.g. iTunes for iOS, Google Play for Android, Microsoft App Store, BlackBerry App World).

Mobile commerce The use of wireless devices such as mobile phones for informational or monetary transactions.

Mobile marketing Marketing to encourage consumer engagement when using mobile phones (particularly smartphones) or tablet devices.

Multichannel marketing and Omnichannel marketing Customer communications and product distribution are supported by a combination of digital and traditional channels at different points in the buying cycle. With the range of mobile and IoT touchpoints, some have expanded the term to *omnichannel marketing*.

Multichannel marketing strategy Defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

Multichannel prioritisation Assesses the strategic significance of the Internet relative to other communications channels and then deploys resources to integrate with marketing channels.

Multiscreening A term used to describe simultaneous use of devices such as digital TV and a smartphone or tablet.

Native advertising Online content that is created to promote or enhance a brand, such as a publisher article or social media update. Such content should be disclosed as advertising by law in many countries, but often it isn't.

Natural or organic listings The pages listing results from a search engine query that are displayed in a sequence according to relevance of match between the keyword phrase typed into a search engine and a web page according to a ranking algorithm used by the search engine.

Navigational search Searchers use a search engine such as Google to find information deeper within a company site by appending a qualifier such as a product name to the brand or site name. Organisations need to check that relevant pages are available in the search results pages for these situations.

Near-field communications (NFC) Enables data exchange through wireless connections between two devices in close proximity to each other. Use of NFC-enabled smartphones can facilitate contactless payments.

Nested ad content This refers to the situation when the person undertaking the click-through is not redirected to a corporate or brand site, but is instead taken to a related page on the same site as that on which the advertisement is placed. (Sometimes referred to as microsite.)

Net Promoter Score (NPS) A measure of the number of advocates a company (or website) has who would recommend it compared to the number of detractors.

Nofollow and Dofollow tags A nofollow tag is a basic piece of HTML. Appended to a hyperlink, it allows webmasters to control whether search engines follow a link or not. For example, the following URL on a page of another site allows search engines to visit Smart Insights' website and credit the website with the link; each link is scored by the search engines, supporting SEO: `Visit Smart Insights` This normal, natural type of link is

sometimes known as ‘do-followed’! Here’s the same hyperlink, now including a nofollow tag (highlighted in red): <a href=“<http://www.smartinsights.com/>” title=“Smart Insights” rel=“nofollow” Visit Smart Insights.

Newsjacking A publisher or other brand seeks to take advantage of current topical interest in a story and then add to or subvert it to increase their own publicity.

Non-repudiability *See Security methods.*

Notification The process whereby companies register with the data protection register to inform about their data holdings.

Offer An incentive in direct marketing or a product offering.

Offline site promotion Traditional techniques such as print and TV advertising used to generate website traffic.

One-to-one marketing A unique dialogue that occurs directly between a company and individual customers (or less strictly with groups of customers with similar needs). The dialogue involves a company listening to customer needs and responding with services to meet these needs.

Online brand *See Digital brand.*

Online branding How online channels are used to support brands that, in essence, are the sum of the characteristics of a product or service as perceived by a user.

Online business model A summary of how a company will generate a profit identifying its core product or service value proposition, target customers in different markets, position in the competitive online marketplace or value chain and its projections for revenue and costs.

Online company presence Different forms of online media controlled by a company including their website, blogs, email list and social media presences. Also known as ‘owned media’.

Online customer experience The combination of rational and emotional factors in using a company’s online services that influences customers’ perceptions of a brand online.

Online tactical marketing segmentation Tactical segmentation enables targeting based on customer journey behaviour such as search behaviour,

content accessed and contribution to social media.

Online incentive schemes *See Loyalty techniques.*

Online influencer outreach Identifying online influencers such as bloggers, media owners or individuals with a large online following in the social networks and then approaching them to partner together to communicate with their audience.

Online influencers and Key Opinion Leaders Online influencers can include any type of online person who has a significant following, such as journalists, bloggers or celebrities.

Online intermediary sites Websites that facilitate exchanges between consumer and business suppliers.

Online market ecosystem Interactions between different online systems related to a specific hardware or software technology that may be independent or developed by a particular brand.

Online marketplace Exchanges of information and commercial transactions between consumers, businesses and governments completed through different forms of online presence such as search engines, social networks, comparison sites and destination sites.

Online promotion contribution An assessment of the proportion of customers (new or retained) who are reached by online communications and are influenced as a result.

Online PR (e-PR) Maximising favourable mentions of your company, brands, products or websites on third-party websites that are likely to be visited by your target audience. Online PR can extend reach and awareness of a brand within an audience and will also generate backlinks vital to SEO. It can also be used to support viral or word-of-mouth marketing activities in other media.

Online reputation management Controlling the reputation of an organisation through monitoring and controlling messages placed about the organisation.

Online revenue contribution An assessment of the direct contribution of the Internet or other digital media to sales, usually expressed as a percentage of overall sales revenue.

Online service-quality gap The mismatch between what is expected and delivered by an online presence.

Online site promotion Internet-based techniques used to generate website traffic.

Online social network A service facilitating the connection, collaboration and exchange of information between individuals.

Online value proposition (OVP) A statement of the benefits of online services that reinforce the core proposition and differentiate from an organisation's offline offering and that of competitors.

Online voice of customer (VoC) Qualitative assessments of the effectiveness of digital presence based on direct customer feedback. They answer 'who and why' questions about how customers interact with brands online.

On-page optimisation Writing copy and applying markup such as the <title> tag and heading tags <h1> to highlight to search engines relevant keyphrases within a document.

Operational effectiveness Performing similar activities better than rivals. This includes efficiency of processes.

Opt-in A customer proactively agrees to receive further information.

Opt-in email The customer is only contacted when he or she has explicitly asked for information to be sent (usually when filling in an on-screen form).

Opt-out A customer declines the offer to receive further information.

Opt-out email The customer is not contacted subsequently if he or she has explicitly stated that he or she does not want to be contacted in future. Opt-out or unsubscribe options are usually available within the email itself.

Organic social media marketing It's common practice to distinguish between organic and paid social media marketing activities in a similar way to organic and paid search marketing. Organic social involves using social networks and customer communities to develop relationships, share positive opinions through social media amplification and manage negative social media comments.

Outbound email Email sent from a company.

Outbound email marketing Emails are sent to customers and prospects from an organisation.

Outbound Internet-based communications The website and email marketing used to send personalised communications to customers.

Outsourcing Contracting an outside company to undertake part of the Internet marketing activities.

Overlay Typically an animated ad that moves around the page and is superimposed on the website content.

Overt Typically an animated ad that moves around the page and is superimposed on the website content.

Owned media Different forms of online media controlled by a company including their website, blogs, email list and social media presence.

Page impression One page impression occurs when a member of the audience views a web page. *See Ad impression and Reach.*

PageRank A scale between 0 to 10 used by Google to assess the importance of websites according to the number of inbound links or backlinks.

Page request The process of a user selecting a hyperlink or typing in a uniform resource locator (URL) to retrieve information on a specific web page. Equivalent to page impression.

Page view *See Page impression.*

Paid media Also known as bought media, a direct payment occurs to a site owner or an ad network when they serve an ad, a sponsorship or pay for a click, lead or sale generated.

Paid search marketing (pay-per-click PPC) A relevant text ad with a link to a company page is displayed on the SERPs when the user of a search engine types in a specific phrase. A fee is charged for every click of each link, with the amount bid for the click mainly determining its position. Additionally, PPC may involve advertising through a content network of third-party sites (which may be on a CPC, CPM or CPA basis).

Panda and Penguin algorithm updates Changes to Google's algorithm aimed at reducing the impact at webspam. They caused the rankings of

many sites to fall. Panda targeted low-quality sites with ‘thin’ content. Penguin targeted sites using aggressive link building.

Paths-to-purchase The different sites, channels and devices and information sources that consumers use to inform their purchase decision for a product or service. Also known as conversion pathways on a site.

Pay-for-performance communications The wastage from traditional media buys can be reduced online through advertising models where the advertisers only pay for a response (cost-per-click), as in pay-per-click search marketing or for a lead or sale, as in affiliate marketing.

Pay-per-click PPC refers to when a company pays for text ads to be displayed on the search engine results pages as a sponsored link (typically above, to the right of or below the natural listings) when a specific keyphrase is entered by the search users. It is so called because the marketer pays each time the hypertext link in the ad is clicked on. If a link is clicked repeatedly, then this will be detected by the search engine as click fraud and the marketer will not be charged.

Payment systems Methods of transferring funds from a customer to a merchant.

People variable The element of the marketing mix that involves the delivery of service to customers during interactions with those customers.

Performance drivers Critical success factors that determine whether business and marketing objectives are achieved.

Performance management system A process, used to evaluate and improve the efficiency and effectiveness of an organisation and its processes.

Performance measurement system The process by which metrics are defined, collected, disseminated and actioned.

Performance marketing Used as an alternative term for affiliate marketing which includes payment for lead, sale, but also click, so it is a broader term including other online paid media such as display advertising and biddable media including pay-per-click and programmatic advertising.

Performance metrics Measures that are used to evaluate and improve the efficiency and effectiveness of business processes.

Performance of website Performance or quality of service is dependent on its availability and speed of access.

Permission marketing Customers agree (opt-in) to be involved in an organisation's marketing activities, usually as a result of an incentive.

Persistent cookies Cookies that remain on a computer after a visitor session has ended. Used to recognise returning visitors.

Personal data Any information about an individual stored by companies concerning their customers or employees.

Personalisation Digital experience personalisation involves dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

Personas A thumbnail summary of the characteristics, needs, motivations and environment of typical website users.

Persuasion marketing Using design elements such as layout, copy and typography together with promotional messages to encourage site users to follow particular paths and specific actions rather than giving them complete choice in their navigation.

Phishing Obtaining personal details online through sites and emails masquerading as legitimate businesses.

Phone-me A call-back facility available on the website for a company to contact a customer by phone at a later time, as specified by the customer.

Physical evidence variable The element of the marketing mix that involves the tangible expression of a product and how it is purchased and used.

Pixel The small dots on a computer screen that are used to represent images and text. Short for 'picture element'. Used to indicate the size of banner advertisements.

Place variable The element of the marketing mix that involves distributing products to customers in line with demand and minimising cost of inventory, transport and storage.

Plug-in A program that must be downloaded to view particular content, such as an animation.

Podcasts Individuals and organisations post online media (audio and video) that can be viewed in the appropriate players (including the iPod, which first sparked the growth in this technique). The latest podcast updates can be automatically delivered by *Really Simple Syndication*.

Portal A website that acts as a gateway to information and services available on the Internet by providing search engines, directories and other services such as personalised news or free email.

Portfolio analysis Identification, evaluation and selection of desirable marketing applications.

Positioning Customers' perception of the product and brand offering relative to those of competitors.

Predictive analytics Using data mining and statistical modelling to predict future outcomes, for example by scoring customer propensity to respond to a specific offer.

Prescriptive strategy The three core areas of strategic analysis, strategic development and strategy implementation are linked together sequentially.

Price comparison sites *See Aggregators.*

Price dispersion The distribution or range of prices charged for an item across different retailers.

Price elasticity of demand Measure of consumer behaviour that indicates the change in demand for a product or service in response to changes in price.

Price transparency Customer knowledge about pricing increases due to increased availability of pricing information.

Price variable The element of the marketing mix that involves defining product prices and pricing models.

Pricing level The price set for a specific product or range of products.

Pricing model Describes the form of payment such as outright purchase, auction, rental, volume purchases and credit terms.

Primary persona A representation of the typical site user.

Privacy A moral right of individuals to avoid intrusion into their personal affairs. *See Security methods.*

Privacy and Electronic Communications Regulations Act A law intended to control the distribution of email and other online communications including cookies.

Privacy statement Information on a website explaining how and why individuals' data are collected, processed and stored.

Process variable The element of the marketing mix that involves the methods and procedures companies use to achieve all marketing functions.

Product variable The element of the marketing mix that involves researching customers' needs and developing appropriate products. *See* **Core product** and **Extended product**.

Profiling *See* **Customer profiling**.

Programmatic ad buying Describes the purchase of online display advertising that is aggregated, booked, flighted, analysed and optimised via demand-side software interfaces and algorithms. It includes RTB and also non-RTB methods and buy types such as Facebook Ads API and the Google Display Network.

Progressive Web Apps (PWA) A website development technique that combines the benefits of web and mobile apps enabling users to install web apps to their home screen, receive push notifications and potentially work offline.

Promotion (online and offline) Online promotion uses communication via the Internet itself to raise awareness about a site and drive traffic to it. This promotion may take the form of links from other sites, banner advertisements or targeted email messages. Offline promotion uses traditional media such as television or newspaper advertising and word of mouth to promote a company's website.

Promotion variable The element of the marketing mix that involves communication with customers and other stakeholders to inform them about the product and the organisation.

Propensity modelling A name given to the approach of evaluating customer characteristics and behaviour and then making recommendations for future products.

Prototypes and prototyping A prototype is a preliminary version of part (or a framework of all) of a website that can be reviewed by its target

audience, or the marketing team. Prototyping is an iterative process where website users suggest modifications before further prototypes are made and the final version of the site is developed.

Proximity marketing Marketing messages are delivered in real time according to customers' presence based on the technology they are carrying, wearing or have embedded. Bluecasting is the best-known example.

Psychographic segmentation A breakdown of customers according to different characteristics.

Public key A unique identifier of a buyer or a seller that is available to other parties to enable secure e-commerce using encryption based on digital certificates.

Public-key encryption An asymmetric form of encryption in which the keys or digital certificates used by the sender and receiver of information are different. The two keys are related, so only the pair of keys can be used together to encrypt and decrypt information.

Public-key infrastructure (PKI) The organisations responsible for issuing and maintaining certificates for public-key security together form the PKI.

Public relations The management of the awareness, understanding and reputation of an organisation or brand, primarily achieved through influencing exposure in the media.

Pull media The consumer is proactive in selection of the message through actively seeking out a website.

Push media Communications are broadcast from an advertiser to consumers of the message, who are passive recipients.

Push technology The delivery of web-based content to the user's desktop without the need for the user to visit a site to download information. Email can also be considered to be a push technology. A particular type of information is a push channel.

Qualified lead Contact and profile information for a customer with an indication of the level of their interest in product categories.

Quality score An assessment in paid search by Google Ads (and now other search engines) of an individual ad triggered by a keyword that, in

combination with the bid amount, determines the ranking of the ad relative to competitors. The primary factor is the click-through rate for each ad, but quality score also considers the match between the keyword and the occurrence of the keyword in the text, historical click-through rates, the engagement of the searcher when they click through to the site and the speed at which the page loads.

Quick Response (QR) code A QR code is a two-dimensional matrix bar code. QR codes were invented in Japan, where they are a popular type of two-dimensional code used for direct response.

Reach The number of unique individuals who view an advertisement.

Real-time bidding (RTB) Bids for buying ads against keywords can be managed in real time in conjunction with a DSP.

Real-time marketing and PR Brands develop an agile, proactive approach to PR, content marketing and advertising to participate in current news and trends to help increase their visibility and influence through positive brand mentions. They also develop a reactive approach to respond to negative brand mentions through social media reputation management.

Really Simple Syndication (RSS) Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader software services.

Reciprocal links Links that are agreed between yourself and another organisation.

Referrer The site that a visitor previously visited before following a link.

Referring sites A log file may indicate which site a user visited immediately before visiting the current site. *See* **Click-through, Destination site** and **Exit page**.

Referrer or referring site The source of a visitor to site delivered via a digital media channel. Typically a specific site, e.g. Google Ads or a media site or an individual ad placement on the site.

Registration (individuals) The process whereby an individual subscribes to a site or requests further information by filling in contact details and his or her needs using an electronic form.

Registration (of domain name) The process of reserving a unique web address that can be used to refer to the company website.

Reintermediation The creation of new intermediaries between customers and suppliers providing services such as supplier search and product evaluation.

Relationship marketing Consistent application of up-to-date knowledge of individual customers to product and service design, which is communicated interactively in order to develop a continuous, mutually beneficial and long-term relationship.

Renderability The capability of an email to display correctly formatted in different email readers.

Repeat visits If an organisation can encourage customers to return to the website then the relationship can be maintained online.

Representation The locations on the Internet where an organisation is located for promoting or selling its services.

Repurposing Developing for a new access platform, such as the web, content that was previously used for a different platform.

Responsive Web Design (RWD) Layout and formatting of website content is modified at the point of rendering to suit different screen resolutions and capabilities to produce a better experience to users of a range of desktop, tablet and smartphone devices using web development methods like CSS and image scaling.

Resource analysis Review of the technological, financial and human resources of an organisation and how they are utilised in business processes.

Resources Resources are defined as physical assets over which an organisation has control. This narrow definition of resources allows them to be clearly distinguished from capabilities.

Results-based payment Advertisers pay according to the number of times the ad is clicked on.

Retail channel Retailers' use of the Internet as both a communication and a transactional channel concurrently in business-to-consumer markets.

Retail format This is the general nature of the retail mix in terms of range of products and services, pricing policy, promotional programmes,

operating style or store design and visual merchandising; examples include mail-order retailers (non-store-based) and department-store retailers.

Retention *See* **Customer retention**.

Return on advertising spend (ROAS) This indicates amount of revenue generated from each referrer. $ROAS = \text{Total revenue generated from referrer} / \text{Amount spent on advertising with referrer}$.

Return on investment (ROI) This indicates the profitability of any investment, or in an advertising context for each referring site.

- $ROI = \text{Profit generated from investment} / \text{Cost of investment}$.
- $ROI = \text{Profit generated from referrers} / \text{Amount spent on advertising with referrer}$.

Revenue models Describe methods of generating income for an organisation.

Reverse auctions Item purchased from lowest-bidding supplier in bidding period.

Reverse path analysis Indicates the most popular combination of pages and/or calls-to-action that lead to a page. This is particularly useful for transactional pages such as the first checkout page on a consumer site, a lead generation or contact-us page on a business-to-business site, an email subscription page and a call-me-back option.

Rich media Advertisements that are not static, but provide animation, audio, sound or interactivity as a game or form to be completed. An example of this would be a banner display advertisement for a loan in which a customer can type in the amount of loan required, and the cost of the loan is calculated immediately.

Rich Internet applications (RIA) Interactive applications that provide options such as product selectors or games. They may incorporate video or sound also. Typically built using technologies such as Adobe Flash, Ajax, Flex, Java or Silverlight.

Robot A tool, also known as a spider, that is employed by search engines to index web pages of registered sites on a regular basis. *See* **Spider**.

Run-of-site A situation where a company pays for banner advertisements to promote its services across a website.

Sales generation offers Offers that encourage product trial. A coupon redeemed against a purchase is a classic example.

Sales promotions The Internet offers tremendous potential for sales promotions of different types since it is more immediate than any other medium – it is always available for communication, and tactical variations in the details of the promotion can be made at short notice.

Satisficing behaviour Consumers do not behave entirely rationally in product or supplier selection. They will compare alternatives, but then may make their choice given imperfect information.

Scannability and Skimmability *Scannability* is the use of writing and formatting techniques that compensate for the fact that most people don't fully read content on the web. These help give online readers an overview to navigate the page. *Skimmability* is using shorter copy and formatting techniques to make it easier to read text once the reader has found context through scanning.

Scenario-based analysis Models of the future environment are developed from different starting points.

Scripts Scripts can run either on the user's browser (client-side scripts) (*see Web browser*) or on the web server (server-side scripts).

Scrum A methodology that supports agile software development based on 15–30-day sprints to implement features from a product backlog. 'Scrum' refers to a daily project status meeting during the sprint.

Search engine Specialised website that uses automatic tools known as spiders or robots to index web pages of registered sites. Users can search the index by typing in keywords to specify their interest. Pages containing these keywords will be listed, and by clicking on a hyperlink the user will be taken to the site.

Search engine listing The list of sites and descriptions returned by a search engine after a user types in keywords.

Search engine marketing (SEM) Promoting an organisation through search engines to meet its objectives by delivering relevant content in the search listings for searchers and encouraging them to click-through to a

destination site. The two key techniques of SEM are *search engine optimisation (SEO)* to improve results from the natural listings, and paid-search marketing to deliver results from the sponsored listings within the search engines through pay-per-click (PPC) paid-search engine marketing and through content-network paid-search marketing (which may be on a PPC basis or on a CPM basis). SEM is about connecting the searchers with information that will help them find what they are looking for and will help site owners generate revenue or disseminate information.

Search engine optimisation (SEO) A structured approach used to increase the position of a company or its products in search engine natural or organic results listings (the main body of the search results page) for selected keywords or phrases.

Search engine ranking The position of a site on a particular search engine.

Search engine results pages (SERPs) The page(s) containing the results after a user types in a keyphrase into a search engine. SERPs contain both natural or organic listings and paid or sponsored listings.

Search engine submission The process of informing search engines that a site should be indexed for listing in the search engine results pages.

Secure HTTP Encrypted HTTP.

Secure Sockets Layer (SSL) A commonly used encryption technique for scrambling data such as credit card numbers as they are passed across the Internet from a web browser to a web server.

Security methods When systems for electronic commerce are devised, or when existing solutions are selected, the following attributes must be present:

- Authentication – are parties to the transaction who they claim to be? This is achieved through the use of digital certificates.
- Privacy and confidentiality – are transaction data protected? The consumer may want to make an anonymous purchase. Are all non-essential traces of a transaction removed from the public network and all intermediary records eliminated?
- Integrity – checks that the message sent is complete, i.e. that it is not corrupted.
- Non-repudiability – ensures sender cannot deny sending message.

- Availability – how can threats to the continuity and performance of the system be eliminated?

Seeding The viral campaign is started by sending an email to a targeted group that are likely to propagate the virus.

Segmentation Identification of different groups within a target market in order to develop different offerings for each group.

Sell-side e-commerce E-commerce transactions between a supplier organisation and its customers.

Sense and respond communications Delivering timely, relevant communications to customers as part of a contact strategy based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's website, emails and staff.

Server log file *See Online web metrics.*

Service quality The level of service received on a website. Dependent on reliability, responsiveness and availability of staff and the website service.

Serving Used to describe the process of displaying an advertisement on a website (ad serving) or delivering a web page to a user's web browser. *See Web server.*

Session *See Visitor session.*

Session cookie A cookie used to manage a single visitor session.

Share of search The audience share of Internet searchers achieved by a particular audience in a particular market.

Share of voice The relative advertising spend of the different competitive brands within the product category. Share of voice (SOV) is calculated by dividing a particular brand's advertising spend by the total category spend.

Short code Five-digit numbers combined with text that can be used by advertisers or broadcasters to encourage consumers to register their interest. They are typically followed up by an automated text message from the advertiser with the option to opt in to further information by email or to link through to a WAP site.

Short Message Service (SMS) The formal name for text messaging.

Single customer view Customer profile information is kept consistent across systems to maintain customer data quality.

Site *See Website.*

Site announcements Usually used to describe the dissemination of information about a new or revised website.

Site auditors Auditors accurately measure the usage for different sites as the number of ad impressions and click-through rates. Auditors include ABC (Audit Bureau of Circulation) and BPA (Business Publication Auditor) International.

Site availability An indication of how easy it is to connect to a website as a user. In theory this figure should be 100 per cent, but for technical reasons such as failures in the server hardware or upgrades to software, sometimes users cannot access the site and the figure falls below 90 per cent.

Site design page template(s) A standard page layout format that is applied to each page of a website. Typically defined for different page categories (e.g. category page, product page, search page).

Site map A graphical or text depiction of the relationship between different groups of content on a website.

Site measurement *See Website measurement.*

Site navigation scheme Tools provided to the user to move between different information on a website.

Site re-launch Where a website is replaced with a new version with a new 'look and feel'.

Site statistics Collected by log file analysers, these are used to monitor the effectiveness of a website.

Site 'stickiness' An indication of how long a visitor stays on a site. Log file analysers can be used to assess average visit times.

Site visit One site visit records one customer visiting the site. Not equivalent to user session.

Site-visitor activity data Information on content and services accessed by e-commerce site visitors.

Sitemapping tools These tools diagram the layout of the website, which is useful for site management and can be used to assist users.

Situation analysis Collection and review of information about an organisation's external environment and internal processes and resources in order to inform its strategies.

Skunkworks A loosely structured group of people who research and develop innovative opportunities and business benefits.

SMART metrics SMART metrics must be:

- Specific
- Measurable
- Actionable
- Relevant
- Timely.

Social bookmarking Web users keep a shared version of favourite sites ('Favourites') online. This enables the most popular sites in a category to be identified.

Social commerce Social commerce is a subset of e-commerce that encourages participation and interaction of customers in rating, selecting and buying products through group buying. This participation can occur on an e-commerce site or on third-party sites.

Social CRM The process of managing customer-to-customer conversations to engage existing customers, prospects and other stakeholders with a brand and so enhance customer-relationship management.

Social exclusion Part of society is excluded from the facilities available to the remainder.

Social graph A term popularised by Facebook in 2007 when describing its Facebook platform. The social graph describes the relationship between individuals linked through social networks and other connections such as email or personal contact.

Social location-based marketing Where social media tools give users the option of sharing their location, and hence give businesses the opportunity to use proximity or location-based marketing to deliver targeted offers and messages to consumers and collect data about their preferences and

behaviour. Businesses can offer consumers benefits to check-in, for example, to gain points, be the most regular visitor to that location, to gain rewards and prizes from advertisers, to share their location with friends and, in the case of events, to meet like-minded people. Of course the privacy implications of this relatively new technology must be carefully reviewed.

Social media amplification A method of increasing awareness of a brand through organic and paid sharing of social media updates via social networks as organic social posts and adverts .

Social media governance A definition of how companies should respond to social mentions that may give rise to leads or reputational damage.

Social media listening The process of using monitoring tools to review mentions of a brand and related keywords within social networks and other online sites.

Social media marketing Monitoring and facilitating customer–customer interaction and participation throughout the web to encourage positive engagement with a company and its brands. Interactions may occur on a company site, social networks and other third-party sites.

Social media optimisation (SMO) A process to review and improve the effectiveness of social media marketing through reviewing approaches to enhance content and communications quality to generate more business value.

Social media strategy A definition of the marketing communications used to achieve interaction with social network users to meet business goals. The scope of social media optimisation also includes incorporation of social features such as status updates and sharing widgets into company websites.

Social network A site that facilitates peer-to-peer communications within a group or between individuals through providing facilities to develop user-generated content (UGC) and to exchange messages and comments between different users.

Social sign-on A user logs in to a site using a social network service user name and password. This can enable connection between social memberships and company profile information.

Social selling A proactive approach to using social media to generate leads and sales, particularly applied to B2B marketing in LinkedIn where it's

possible to identify prospects and connect with them.

Soft launch A trial version of a site launched with limited publicity.

Soft lock-in Electronic linkages between supplier and customer increase switching costs.

Software agents *See Agents.*

Software as a service (SaaS) Business applications and software services are provided through Internet and web protocols with the application managed on a separate server, from where it is accessed through a web browser on an end-user's computer with data stored within 'The Cloud'.

Spam Unsolicited email (usually bulk mailed and untargeted).

Spamming Bulk emailing of unsolicited mail.

Specific offline advertising Driving traffic to the website or explaining the online proposition is a primary objective of the advert.

Spiders Software processes, technically known as robots, employed by search engines to index web pages of registered sites on a regular basis. They follow links between pages and record the reference URL of a page for future analysis.

Splash page A preliminary page that precedes the normal home page of a website. Site users can either wait to be redirected to the home page or can follow a link to do this. Splash pages are not now commonly used since they slow down the process of customers finding the information they need.

Sponsorship Sponsorship involves a company paying money to advertise on a website. The arrangement may involve more than advertising. Sponsorship is a similar arrangement to co-branding.

Stage models Models for the development of different levels of Internet marketing services.

Stages in website development The standard stages of creation of a website are initiation, feasibility, analysis, design, development (content creation), testing and maintenance.

Static (fixed) web page A page on the web server that is invariant.

Stickiness An indication of how long a visitor stays on-site.

Storyboarding Using static drawings or screenshots of the different parts of a website to review the design concept with customers or clients.

Strategic agility The capability to innovate and so gain competitive advantage within a marketplace by monitoring changes within an organisation's marketplace to efficiently evaluate alternative strategies and then select, review and implement appropriate candidate strategies.

Strategic analysis Collection and review of information about an organisation's internal processes and resources and external marketplace factors in order to inform strategy definition.

Strategic market segmentation Selection of key audiences to target with value propositions developed for these audiences.

Strategic positioning Performing different activities from rivals or performing similar activities in different ways.

Strategy formulation Generation, review and selection of strategies to achieve strategic objectives.

Strategy process model A framework for approaching strategy development.

Streaming media Sound and video that can be experienced within a web browser before the whole clip is downloaded.

Streaming media server A specialist server used to broadcast audio (e.g. podcasts) or video (e.g. IPTV or webcast presentations). Served streams can be unicast (a separate copy of stream is served for each recipient), multicast (recipients share streams) or peer-to-peer where the media is shared between different recipient's computers using a BitTorrent or Kontiki approach.

Style guide A definition of site structure, page design, typography and copy defined within a company. *See* **Graphic design**.

Subject access request A request by a data subject to view personal data from an organisation.

Superstitials Pop-up adverts that require interaction to remove them.

Surfer An undirected information seeker who is often looking for an experience rather than information.

Symmetric encryption Both parties to a transaction use the same key to encode and decode messages.

Syndication Content or product information is distributed to third parties. Online this is commonly achieved through standard XML formats such as RSS.

Tagging Tracking of the origin or referring site or of visitors to a site and their spending patterns. Also tagging refers to where users or web page creators categorise content on a site through adding descriptive terms. A common approach in blog posts.

Target marketing strategy Evaluation and selection of appropriate segments and the development of appropriate offers.

Targeting (through banner advertisers) Advertising networks such as DoubleClick offer advertisers the ability to target advertisements dynamically on the World Wide Web through their 'DART' targeting technology. This gives advertisers a means of reaching specific audiences.

Technology convergence A trend in which different hardware devices such as TVs, computers and phones merge and have similar functions.

Telemarketing Mainly used for inbound telemarketing, including sales lines, carelines for goods and services and response handling for direct response campaigns.

Template *See Site design page template.*

Test website A parallel version of the site to use before the site is made available to customers as a live website.

Testing Testing involves different aspects of the content such as spelling, validity of links, formatting on different web browsers and dynamic features such as form filling or database queries.

Testing content Testing should be conducted for plug-ins; for interactive facilities and integration with company databases; for spelling and grammar; for adherence to corporate image standards; for implementation of HTML in different web browsers; and to ensure that links to external sites are valid.

Third-party cookies Served by another site to the one being viewed – typical for portals where an ad network will track remotely or where the

web analytics software places a cookie.

Tipping point Using the science of social epidemics explains principles that underpin the rapid spread of ideas, products and behaviours through a population.

Trademark A trademark is a unique word or phrase that distinguishes your company. The mark can be registered as plain or designed text, artwork or a combination. In theory, colours, smells and sounds can also be trademarks.

Transactional e-commerce sites Sites that support online sales.

Transaction log file A web server file that records all page requests.

Transfer Control Protocol/Internet Protocol (TCP/IP) The passing of data packets around the Internet occurs via TCP/IP. For a PC to be able to receive web pages or for a server to host web pages it must be configured to support this protocol.

Triologue The interaction between company, customer and other customers facilitated through online community, social networks, reviews and comments.

Trusted feed A trusted feed is an automated method of putting content into a search engine index or an aggregator database.

Trusted third parties (TTPs) Companies with which an agreement has been reached to share information.

Undirected information seeker A person who does not know what information they are looking for – a surfer.

Uniform (universal) resource locator (URL) Text that indicates the web address of a site. A specific domain name is typed into a web browser window and the browser will then locate and load the website. It is in the form of: <http://www.domain-name.extension/filename.html>.

Unique visitors Individual visitors to a site measured through cookies or IP addresses on an individual computer.

Universal search The *natural listings* incorporate other relevant results from vertical searches related to a query, such as video, books, scholar, news, sitelinks and images.

Unsubscribe An option to opt-out from an email newsletter or discussion group.

Upload The transfer of files from a local computer to a server. Usually achieved using FTP. Email or website pages can be uploaded to update a remote server.

Up-selling Persuading existing customers to purchase more expensive products (typically related to existing purchase categories).

URL strategy A defined approach to how content is labelled through placing it in different directories or folders with distinct web addresses.

Usability An approach to website design intended to enable the completion of user tasks.

Usability/user testing Representative users are observed performing representative tasks using a system.

User-centred design Design based on optimising the user experience according to all factors, including the user interface, that affect this.

User journey *See Customer scenarios.*

User session Used to specify the frequency of visits to a site. Not equivalent to site visit.

Validation Validation services test for errors in HTML code, which may cause a web page to be displayed incorrectly or for links to other pages that do not work.

Value chain A model that considers how supply chain activities can add value to products and services delivered to the customer.

Value event scoring Value events are outcomes that occur on the site as indicated by visits to different page or content types that suggest marketing communications are effective. Examples include leads, sales, newsletter registrations and product page views. They can be tagged and scored using many web analytics systems, for example Google refers to them as conversion goals.

Value network The links between an organisation and its strategic and non-strategic partners that form its external value chain.

Value proposition The benefits or value a brand offers to customers in its products and services.

Value proposition of site The benefits or value of a website that are evident to its users.

Video marketing The use of video to gain visibility in search marketing, video hosting sites and to engage site visitors.

View *See Page impression.*

View-through A view-through indicates when a user views an ad and subsequently visits a website.

Viral marketing A marketing message is communicated from one person to another, facilitated by different media, such as word of mouth, email or websites. Implies rapid transmission of messages is intended.

Viral referral An 'email a friend or colleague' component to an email campaign or part of website design.

Virtual cash *See Digital cash.*

Virtual community An Internet-based forum for special-interest groups to communicate using a bulletin board to post messages.

Virtual organisation An organisation that uses information and communications technology to allow it to operate without clearly defined physical boundaries between different functions. It provides customised services by outsourcing production and other functions to third parties.

Virtual reality (VR) Virtual reality headset and software technology create immersive three-dimensional spaces that simulate a user's physical presence in a virtual or imaginary environment.

Virtualisation The process whereby a company develops more of the characteristics of a virtual organisation.

Visitor conversion rate An indication of the capability of a site in converting visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of unique visitors within a defined time period.

Visitor session (visit) A series of one or more page impressions, served to one user, which ends when there is a gap of 30 minutes or more between successive page impressions for that user.

Walled garden A limited range of e-commerce services on iDTV (compared to the Internet).

WAP WAP is a technical standard for transferring information to wireless devices, such as mobile phones.

Web 2.0 concept A collection of web services that facilitate interaction of web users with a site to create user-generated content and encouraging certain behaviours online such as community or social network participation and user-generated content, mashups, content rating, use of widgets and tagging.

Web accessibility An approach to site design intended to accommodate site usage using different browsers and settings – particularly required by the visually impaired and visitors with other disabilities including motor control, learning difficulties and deaf users. Users whose first language is not English can also be assisted.

Web addresses Web addresses refer to particular pages on a web server, which is hosted by a company or organisation. The technical name for web addresses is uniform or universal resource locators (URLs).

Web analytics Techniques used to assess and improve the contribution of e-marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction surveys, leads and sales.

Web Application Protocol (WAP) A standard that enables mobile phones to access text from websites.

Web browsers Browsers such as Mozilla Firefox and Microsoft Internet Explorer provide an easy method of accessing and viewing information stored as HTML web documents on different web servers.

Webmaster A webmaster is responsible for ensuring the quality of a website. This means achieving suitable availability, speed, working links between pages and connections to company databases. In small companies the webmaster may be responsible for graphic design and content development.

Web merchandising The aims of web merchandising are to maximise sales potential of an online store for each visitor. This means connecting the right products with the right offer to the right visitor, and remembering that the online store is part of a broader experience including online and offline advertising, in-store visits, customer service and delivery.

Web response model The website is used as a response mechanism for offline campaign elements such as direct mail or advertising.

Web self-service Content and services provided by an organisation to replace or complement in-store or phone customer enquiries in order to reduce costs and increase customer convenience.

Web servers Web servers are used to store the web pages accessed by web browsers. They may also contain databases of customer or product information, which can be queried and retrieved using a browser.

Website auditors Auditors accurately measure the usage of different sites in terms of the number of ad impressions and click-through rates.

Website content Accessible on the World Wide Web that is created by a particular organisation or individual. The location and identity of a website is indicated by its web address (URL) or domain name. It may be stored on a single server in a single location, or a cluster of servers.

Website measurement The process whereby metrics such as page impressions are collected and evaluated to assess the effectiveness of Internet marketing activities in meeting customers, business and marketing objectives.

Widget A badge or button incorporated into a site or social network space by its owner, with content or services typically served from another site, making widgets effectively a mini-software application or web service. Content can be updated in real time since the widget interacts with the server each time it loads.

Wi-Fi (‘wireless fidelity’) A high-speed wireless local-area network enabling wireless access to the Internet for mobile, office and home users.

Wireframe A simplified outline of a single-page template used to define new layout or functionality for part of a website for discussion, iteration and then a brief for implementation.

Word-of-mouth marketing According to the Word-of-Mouth Marketing Association it is giving people a reason to talk about your products and services, and making it easier for that conversation to take place. It is the art and science of building active, mutually beneficial consumer-to-consumer and consumer-to-marketer communications.

World Wide Web A medium for publishing information on the Internet. It is accessed through web browsers, which display web pages and can now

be used to run business applications. Company information is stored on web servers, which are usually referred to as websites.

XML An advanced markup language giving better control than HTML over format for structured information on web pages.

XMOS (cross-media optimisation studies) XMOS research is designed to help marketers and their agencies answer the question ‘What is the optimal mix of advertising vehicles across different media, in terms of frequency, reach and budget allocation, for a given campaign to achieve its marketing goals?’ The mix between online and offline spend is varied to maximise campaign metrics such as reach, brand awareness and purchase intent.

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Why study digital marketing?



Consumers are now spending more time than ever online, often to compare, discuss and select new purchases. Likewise, digital touchpoints are involved in many business purchases.

As a result, **digital marketing techniques have never been more important for businesses**, so studying with *Digital Marketing: Strategy, Implementation and Practice* will set you up with the knowledge and skills you need to succeed.

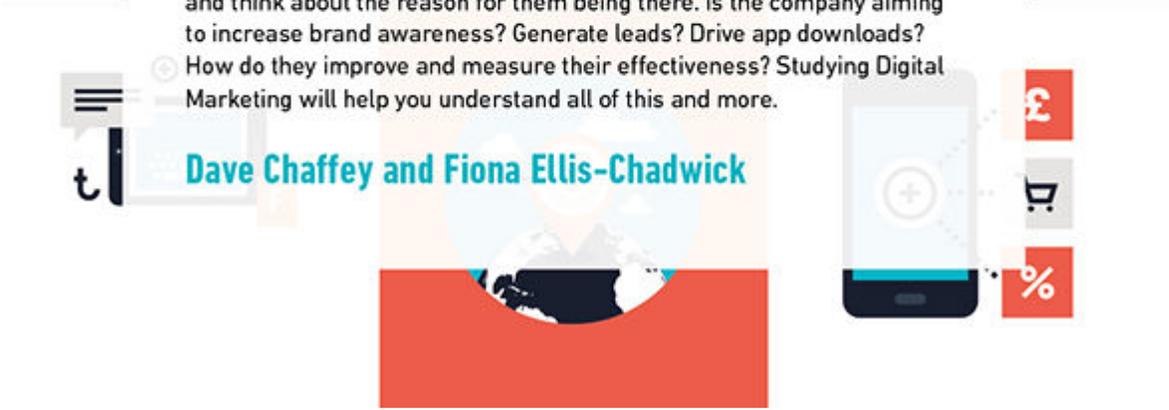


With the growing use of digital comes an increasing demand for employees who have strategic and practical digital marketing skills like search engine optimisation, social media and creating effective websites. This provides those studying this topic with a unique competitive advantage – **you're gearing yourself up for a career where demand exceeds supply!**

Digital Marketing is also intriguing since it constantly changes as technology, platforms and marketing techniques evolve. **You will learn how to make sure you stay on the cutting edge in this ever-changing environment.**

You'll also learn a lot about the digital world around you. Next time you're on Instagram or YouTube, pay close attention to the adverts that pop up and think about the reason for them being there. Is the company aiming to increase brand awareness? Generate leads? Drive app downloads?

How do they improve and measure their effectiveness? Studying Digital Marketing will help you understand all of this and more.



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