CHAPTER 18

# Digital marketing and social media

***As global competition intensifies, an organization's performance and strategic positioning will become more dependent upon its ability to successfully exploit information technologies.***

**DOHERTY AND ELLIS-CHADWICK**[1]

***If an email is too complicated, the customer can feel overwhelmed or lost, which may cause them to lose focus and interest rapidly.***[2]

# LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. explain the concept of digital promotions and digital marketing
2. explain the meaning of the term 'social media'
3. identify the dimension of the digital marketing environment
4. discuss the implications of digital promotions and social media for marketing planning
5. identify and explain different digital communication tools
6. discuss social media and networking
7. discuss ethical issues in digital promotions and marketing

Digital technologies are becoming increasingly important in most sectors of economic activity. Due to high levels of interconnectivity, the Internet has been likened to the wheel and the airplane in terms of its ability to affect the future development of business and society. Consequently, the Internet has provided the impetus for many companies to rethink the role of technology, and evidence already indicates the extent of its global impact. Research on major trends in the dispersion of Internet technologies found that approximately 90 per cent of UK businesses have access to the Internet and, in companies with over 50 employees, the percentage is approaching 100 per cent.[3] The situation was found to be very similar in Australia, Canada, France, Germany, Italy, Japan, the Republic of Ireland, South Korea, Sweden and the USA. Interestingly, the report also concluded that the key measure of information and communication technologies (ICT) adoption is no longer just about connectivity and access to the Internet but rather the degree to which digital technology is being used to deliver real value for businesses. Increasingly, business adoption of technologies focuses on an expanding range of digital devices and platforms (e.g. mobile phones, wireless, and digital TV). Indeed, global system for mobile communications (GMS) has become the fastest-growing communications technology of all time. Consequently, adoption of digital technologies has profound implications for marketing planning and implementation.

The Internet is a major communications channel, providing an arena for multi-faceted communications. Vast numbers of people spend hours each day surfing the Web. Research covering 16 countries found that, on average, people spend 29 per cent of their leisure time on the Web. Overall, the Chinese spend the largest part of their leisure time online: 44 per cent compared with 28 per cent for British people. Scandinavians spend the least of their leisure time on the Internet, with Danes at 15 per cent, Swedish consumers at 18 per cent and Norwegians at 22 per cent.[4]

The Internet exploded into commercial life in the 1990s. During the same period network technology was also undergoing significant change, switching from analogue to digital circuits, and mobile phone networks and handsets were rapidly developing both in terms of sophistication and number of users. By 2000 further changes had occurred in the world of digital communications infrastructure. Suddenly there were more mobile phone subscribers than fixed-line phone users, Internet traffic exceeded voice traffic on fixed-line telephone networks at night, and wireless technologies began to be developed. Mobile phones have increased facilities for receiving multimedia content, and digital and online television have become available.

For its users the Internet and digital technologies have not only provided the means to find, buy and sell products but they have also created an environment for building communities, where like-minded people can network, socialize and be entertained. The emergence of social networking sites such as Facebook, LinkedIn, Google+ and **microblogging** sites like Twitter have had a significant impact on global society. Social networking has become pervasive throughout the world, even in China where Facebook is banned. Renren is the Chinese equivalent and this social network has 22 million[5] active users and many times more user accounts (approximately 160 million).

Social media have given a voice to masses of individuals, businesses and communities around the world. For example, in 2000 around 1.5 million users in China[6] had access to the Internet. Now, there are over 513 million users. This body represents over 50 per cent of the Internet population in Asia.[7] The change in the size of the Chinese user population is reflected in social media use. *Weibo* is a term which refers to Chinese microblogging sites and shows there is a great deal of interest in this form of online activity. Twitter has over 56 million accounts, and around 21 million users who publish each month. Weibo, however, has 140 million users, with 50 million actively blogging each month.[8] The trend for exponential growth in Internet users has spread from the USA, where its commercial use began early in the 1990, throughout Europe, to Oceania, Asia, the Middle East and Africa. Not all regions have equal levels of adoption. For instance, the world average Internet penetration per head of population is 33 per cent, but in Europe the average is 61 per cent and in Asia 26 per cent. This means there is plenty of scope for greater adoption of the Internet (and all it offers

through the Web, social networks, etc.) as infrastructures and access to technology are improved, and political and social barriers and restrictions are removed.

As the use of the Internet, the Web and social media grows, a major challenge for marketers is to determine how to make best use of what the technology offers. In this chapter we focus on how this technology can be used in the IMC context. We use the terms *digital promotions* and *social media* to frame our discussions. We begin by defining these terms and then we explore the key dimensions of the digital communications environment and planning and types of digital communications; social media is then examined in detail. The chapter concludes by considering the ethical and social issues raised by digital promotions and social media.

## What are Digital Promotions?

Digital technologies are able to emulate almost every aspect of marketing communications and traditional media channels and, in doing so, to span the marketing mix. However, digital promotions are more specific and are an element of the marketing communication mix. Nevertheless, the boundaries are less than clear, because digital technology is not only a means of communication but also a method of distribution. The flexibility afforded by the technology means it is highly complex. Marketers are faced with learning how to use and understand emerging technologies (e.g., social media), determining how to make strategic decisions that enable them to make best use of the technology and implementing digital

### Marketing in Action 18.1 Digital Marketing: A Rose by Any Other Name?

The Internet, the Web and associated technologies have led to the introduction of many new words and terms which were hitherto unknown to us. The newness and variation in the use of these technologies have also meant that many of these new names can have multiple definitions. Digital marketing, for example, has been defined as:

> the application of digital technologies that form channels to market and to achieve corporate goals through meeting and exceeding customer needs better than the competition.

This is because the Web presents a fundamentally different environment for marketing activities than traditional media and conventional marketing activities. One of the unique properties of this evolving digital business environment is its capacity to facilitate many-to-many communications. As a result of the advent of this new communication model, the role of the consumer and the importance of interactive digital technologies have increased significantly. There has been a continuing debate as to how to refer to business activities that involve the use of digital technologies.

**Internet marketing** is another term originally used to refer to the achievement of corporate goals through meeting and exceeding customer needs better than the competition through the utilization of Internet technologies.

**E-marketing** is a term which refers to the use of technology (telecommunications and Internet based) to achieve marketing objectives and bring customer and supplier closer together. For instance, a company might use email to manage customer enquiries and also integrate Web-based technologies with email and other information systems, such as customer databases, in order to facilitate management of customer and supplier relationships. From a marketing perspective e-marketing can help identify and anticipate customer needs, and also provide a means to satisfy customers by providing prompt and informed responses quickly.

Perhaps the term **digital marketing** has become popular thanks to the inclusion of a wider range of digital and network communication technologies, including mobile phones and digital television, in the pursuit of marketing objectives. The widening application of digital technologies suggests that marketers should extend their thinking beyond the Internet to encompass all the platforms that permit a firm to do business electronically.

Postscript: 'What's in a name? That which we call a rose by any other name would smell as sweet.' This Shakespearean quote sums up many of the issues raised in naming technology-enabled marketing (even though taken out of its original context). The key point is that it is not what we call this new form of marketing but what it means to us and how it is used that are important.

*Based on: Hoffman and Novak (1997);[9] Shakespeare (1600); Chaffey & Ellis-Chadwick (2012)[10]*

marketing plans which benefit their businesses. Due to the expansive use of 'all things digital' many terms have been used to describe marketers' use of the technology. In this text digital promotions include digitally enabled communications tools—websites, email marketing, blogging, and the supporting media. See Marketing in Action 18.1 to find out more about the definition of digital marketing.

## Social media

Later in the chapter we discuss **social media** in more detail and explore how it is used in marketing. However, to begin with we need a working definition—and like digital promotions—social media (in the digital world) is another complicated phenomenon, which means different things to different people. There are three separate elements to consider: *social, media* and *network*. According to Tuten and Solomon (2013) the **social element** involves thinking

> about social media as the way digital natives live a social life . . . it is all about a culture of participations; a belief in democracy, the ability to freely interact with other people, companies and organizations; open access to venues that allows users to share content from simple comments to reviews, ratings, photos, stories and more.[11]

In other words, being part of a social media network means that individuals and companies share ideas, interact with one another, work together, learn, enjoy group entertainment and even buy and sell.

Use of the word **media** also deserves separate attention because it has further meanings in the social context than those discussed in Chapter 14 (broadcast, print). In this context the technology is used to create an environment which facilitates different forms of online activity. For example:

- *social community media*, like Facebook, and LinkedIn, which enable sharing of ideas, interests, socializing and having conversations
- *social publishing media* like YouTube, pintrest, Flickr which enable signed-up members to publish and distribute editorial content, movies, audio, photos
- *social commerce media* like TripAdvisor, Groupon and Facebook, which enable buying and selling, trading, building relationships
- *social entertainment media* like come2play, Zynga[12] which enable game playing and entertainment across communities.

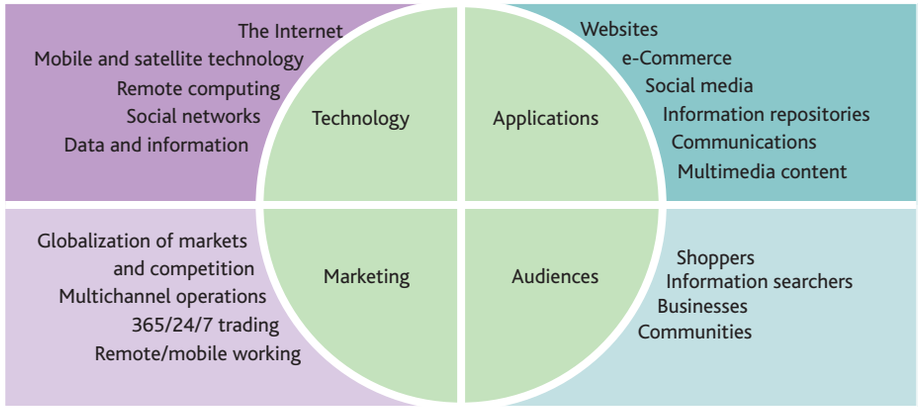
The final element is **network**, which in one sense can be defined by the underlying technology, which makes everything possible. For example, if you are a member of the Facebook social community, the network element is the message boards, forums and wikis, which facilitate communication and conversation. In a social publishing environment, a blog (online diary) often forms the underlying technology. In the commerce arena the technology can be: deal sites, deal aggregators and social shopping markets. Finally, virtual worlds and avatars are at the heart of social entertainment media.

However, in another sense, networks are the interconnections between the members of the community. The greater the number of members and interactions the more interesting the network becomes to all involved. In other words, social (life), media (environment) and network (interconnections—technology and human) are three elements which have come together to create the latest and fastest-growing online phenomenon.

# Key Dimensions of the Digital Communication Environment

Since 1982 *digitization* has taken place and there has been a steady increase in the use of digital technologies. Products such as televisions, telephones, watches, cameras and music have changed to digital formats. As digitization spreads, the level of *connectivity* across devices, people and locations increases. For example, photographs can be shown on computer screens, shared on social networks and stored remotely in the computing cloud. The Internet connects billions of people and organizations around the world, allowing fast transfer of information. Intranets connect people within a company, facilitating communications, and extranets connect a company with its trading partners, such as suppliers

**FIGURE 18.1 Key dimensions of the digital age**




and distributors. In this chapter we are concerned with four dimensions of the digital age that have implications for marketing: 1) technology, 2) applications, 3) marketing, 4) audiences (see Figure 18.1).

## Technology

The *Internet* is at the heart of the digital age; it has facilitated the creation of a global network of computer networks, which create the infrastructure for all online activity. Wireless networks are a growing part of the Internet and are enabling users to access the Internet remotely. *Mobile and satellite technologies* are revolutionizing the communication industry. They are widely used in logistics from the transportation industry and air traffic control to the individual shopper at home. Tesco, for example, uses mobile and satellite technology throughout the supply chain; at the shopper end there is a Tesco.app which lets you add your shopping list to a smartphone and then it will create a map to show you the shortest route to your product selection.[13] In-store Tesco's best-selling product is bananas, and there are technology systems in place to make sure the fruit is readily available on the shelves to meet customer demand. On the road there is a satellite grid system which updates managers on the distance from the store of the next bunch of bananas.[14]

One of the main drivers of this expansion of the use of digital technology is convergence, which means the bringing together into one device of the functions that were previously performed by several. For example, smartphones perform the functions of telephones, cameras, computers, audio systems and televisions.

Convergence brings the convenience of being able to carry out several tasks using just one device. Platforms are switching from analogue to digital (e.g. television) and also from fixed to wireless (e.g. telephones and computers); services are offered over multiple platforms (e.g. online television—BBC iPlayer, TV over broadband—iTV by Apple). Convergence is creating many opportunities for developing new ways to provide access to multimedia content and a range of additional services. Convergence has also prompted the development of *remote computing* and given rise to the concept of cloud computing.

We probably all have many documents, spreadsheets, business and personal files and photographs which we are saving on to an increasing array of storage devices. But the problem can be finding a particular document in its latest version. Cloud computing promises to be a solution to this problem as all documents can be stored in a single secure remote location. Google and Apple offer different ways to access cloud computing, but both are aiming to make these services more accessible. Steve Jobs said 'keeping these devices in sync is driving us crazy' when he launched Apple's iCloud service.[15] Google's solution is the

Chromebook, which is a laptop with software that automatically stores data in the cloud via an Internet connection rather than on a hard drive.

*Social networks* are the underlying technology which facilitate community developments and the sharing of information. This topic is covered in detail later in the chapter.

*Data and information*: data are the building blocks on which many of the applications are built. Information is the 'intelligence' that can be gleaned from the data. We have already covered these topics earlier (see Chapter 7).

## Marketing

The development of Internet technologies and subsequent widespread adoption has profound implications for marketing.

### Globalization of markets and competition

According to research, the Internet's 'global connectivity opens up new avenues for business in a manner that traditional commerce conduits cannot match'[16] and it has also been suggested that a company based anywhere in the world can launch a website to compete on a global basis, as long as its products are easily transportable or downloadable.[17] Many established brands are successfully taking advantage of these online opportunities to expand globally (e.g. Tesco, Zara, Apple). However, they inevitably face stiff competition from *virtual merchants*—global online players like Amazon, ASOS, Netflicks, and '*disintermediators*' that have cannabilized the supply chain by going straight from manufacturer to the end consumer (e.g. Dell.com). Retailers and consumer brands are likely to face growing pressure from a variety of completely new businesses, keen to get their share of the electronic market. If one thing has become very clear, from the first 15 years of Internet retailing, it is that there is always the opportunity for the innovative and dynamic company that has read the market well and has an effective business model to make a strong impact, and in so doing, grow very big and powerful, very quickly as in the case of Google, Facebook and eBay. The experiences of these organizations demonstrate that the Internet can be a very fertile environment for global expansion if organizations have good ideas, supported by an appropriate set of core competences and capabilities.[18] These discussions link to later chapters on competition (Chapters 19 and 20), and global strategy (Chapter 21).

**Multichannel** is becoming the de facto approach to managing online and offline operations. Many retailers have harnessed the Internet's capacity to provide information, facilitate two-way communication with customers, collect market research data, promote goods and services and ultimately to support the online ordering of merchandise, as an extremely rich and flexible new channel.[19] The Internet has given retailers a mechanism for broadening target markets, improving customer communications, extending product lines, improving cost efficiency, enhancing customer relationships and delivering customized offers[20] through their multichannel operations.[21] Carphone Warehouse is an example of a European retailer that is using the Web and mobile technology to provide multichannel assistance and drive customers to their stores. To begin with they developed the multichannel service by building a mobile-optimized website incorporating a 'click to call' feature, which allowed users to contact the call centre and make a purchase. Then they also promoted the service through mobile and Web channels and also included a link on the Carphone Warehouse main website store finder page. This enabled customers in the high street who were thinking about buying a new mobile phone to be instantly directed to the nearest store.[22] Indeed many retailers are finding that they are achieving a much higher ROI if they use their website, and mobile apps as an integral part of their businesses.[23] These discussions link to further issues associated with channel development and management in Chapter 17.

### Continuous trading

The Internet never closes, 365, 24/7 trading is a reality, and companies are being pressured to manage their interface with the customers on an 'open all hours basis'. Many companies

provide self-help information on their websites, which customers can access around the clock. But they also provide call centres, customer services and returns departments which provide real-time support, via the phone or online.

### Remote and mobile working

Many more people are now working remotely than in the past. In the UK 13.6 per cent of the working population are working on a remote basis. A surprisingly large proportion do so from their home premises (37.5 per cent). However, the biggest group of 62.5 per cent work remotely away from home (e.g., transport drivers, sales representatives).[24] New technology is facilitating this process and making more things possible. For home workers, there are many advantages and disadvantages to consider. On the plus side, travel costs are reduced, workers can have more control over how they plan their working day, but on the negative side there can be an increase in family conflict; lack of understanding from family members about the tasks the worker has to complete and pressure on space needed to successfully carry out a job at home. There is also the loss of interaction with other members of the workforce—organization and managerial support are also only available on a remote basis. However, research has found that if there is increased social support from work for remote workers, many of the negatives of working at home are reduced.[25] Social media has been found to offer support and boost employee satisfaction, trust and productivity.[26] Leeds Metropolitan University introduced MyWellbeing to tackle absenteeism among university staff and it estimates the portal has saved the university £75,000 a year in salary costs. Aviva World (available to over 36,000 staff worldwide) is very popular and regularly receives over 7 million hits a month. Aviva encourages its staff to get involved with the business at various different levels through social media and in doing so it is enabling remote workers to feel more involved in the business. These are not isolated examples: companies from Coca-Cola, the BBC, to Sainsbury's are using social media networks and intranets to communicate, interact and ultimately improve job satisfaction and productivity.

## Applications

In the early days the Internet was viewed primarily as a means to facilitate two-way communications between companies and their customers. However, very quickly the underlying technology and widespread adoption of websites became far more sophisticated and enabled more applications and uses to be introduced (see Chapter 14 for further detailed discussion of the use of digital communication in IMC strategies and Chapter 16 for discussion of direct marketing). E-commerce enabled websites to be added to the extent that they could be used to: purchase and pay for merchandise, sell and promote goods and services, collect market research data, and track orders.[27,28] Currently, the Internet provides business with a highly effective mechanism for broadening target markets, improving customer communications, extending product lines, improving cost efficiency, enhancing customer relationships and delivering customized offers.[29] Indeed, target audiences have taken to the new technology, and whether companies are trading in business to business or business to consumer markets there is an increasing range of applications being used—e-commerce, information repositories, social media, interactive communications and multimedia content delivery.

Given the Internet's potential to radically reconfigure underlying business processes and because of the highly dynamic and innovative nature of the online marketplace, it is not surprising that there has been a rapid expansion in the application of these relatively new technologies. Furthermore, it should be remembered that commercial exploitation of the Internet has far-reaching implications: technical, logistical, strategic, behavioural, social and legal. Companies wishing to take advantage of the opportunities created by the Internet need to make sure they have clear strategic goals and well-planned implementation strategies if they are to garner the best advantage from Internet-based applications (see Chapter 2 for further discussion of marketing strategy and planning).[30]

## Audiences

Across the world many *shoppers, information searchers, businesses* and *communities members* are now happy to use Internet technology as part of their daily lives. For marketing managers it is, however, increasingly important to understand the target audiences, as there are significant changes taking place resulting from more and more interactions between organizations and their audiences via digital technology (for more detailed discussion of target audiences and related segmentation strategies see Chapter 8). For instance, in the consumer services sector there is an increasingly intense struggle for power between the consumer and the service provider. Sites like TripAdvisor freely allow visitors to hotels, restaurants and other places of entertainment to air their views of the service they received. However, while service providers need to take heed and be aware of what their customers are saying online, they too make use of highly sophisticated customer databases, to track and trace their customers, so that they can implement highly targeted 'one-to-one' marketing campaigns[31] and other initiatives which build strong customer relationships and deliver even more value.[32] So, on the one hand, consumer audiences have access to tools which can help them disseminate their levels of satisfaction and dissatisfaction far and wide. On the other hand, consumer service providers have a wealth of consumer-oriented data, which could enable them better to predict their customers' needs[33] and requirements and in doing so create more effective IMC campaigns. For example, Britvic set out to create a 'light touch' communication strategy, which would engage the interest of parents of 10-year-olds. So, the soft drinks company monitored online behaviour when it launched its Fruit shoot website. Once the site was established, Britvic launched its 'parents for playgrounds' campaign and monitored what people were responding to, then tailored the content to suit their interests. This is a very different approach to planning an eight-week advertising campaign with fixed content and messages.[34]

The Internet allows advertisements to be targeted on an individual basis. *Behavioural targeting* (or personalized Internet advertising) is a method of directing advertisements at consumers based on their previous online behaviour. At its most basic, it is the Amazon 'you've bought this so you might like to buy this' approach. However, more sophisticated behavioural techniques log where Internet users have been surfing online, using 'cookies'. Once this is known, advertisements on other sites appear based on that information. For example, an online user could be browsing cinema listings when a banner advertisement for bargain breaks in Rome appears—something the user had been researching a few days previously.[35] There is some evidence that consumers object to this kind of tracking of their Internet activity, with a survey revealing that 77 per cent objected to behavioural targeting.[36]

A word of warning: the EU Privacy and Electronic Communication Directive is bringing in a new set of legislation to control the use of data. For digital marketers this means rethinking how they use 'cookies'. In the past cookies (text-files that recognize users) have been seen as digital mechanisms which remember log-in details and store individual preferences. However, the EU sees cookies as a means of tracking online behaviour and potentially represents an intrusion of privacy. As a result the new legislation is being implemented to ensure that website visitors explicitly agree to the use of cookies when browsing websites.

A huge amount of research has been conducted to try to understand typical online buyer behaviour. In Chapter 4 we learnt how pre-family man uses online technology depending on life-cycle stages, cultural differences and personal priorities. Other influences identified from a body of academic research carried out during the past 20 years[37] are:

1. *Demographic variables*: 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 customer's demographic profile that have been found to influence their online behaviour include such variables as income, education, race, age, gender and lifestyle.[38]

2 *Psychographic and behavioural variables*: any aspect of a person's perceptions, beliefs and attitudes that might influence their online behaviour, and in particular their intention to shop. Indeed, behavioural characteristics—such as knowledge, attitude, innovativeness, risk aversion etc.—can also affect a person'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.[39]

3 *Personal profiles*: age, gender, education, salary. Indeed, it is important to note that Internet shoppers are no longer likely to be greatly different from their offline counterparts.[40] However, it is perhaps useful to differentiate between the most enthusiastic and profitable Internet shoppers. For example, it has recently been found that the Internet is a favourite channel for the compulsive shopper, as consumers are able to 'buy unobserved', 'without contact with other shoppers', and in so doing, 'experience strong positive feelings during the purchase episode'.[41] This study, which looked at the behaviour of Internet shoppers from six countries, including both developing and developed countries, found a surprisingly high degree of homogeneity in their characteristics and habits.[42] Internet shoppers were found to share their desire for convenience, were more impulsive, have more favourable attitudes towards direct marketing and advertising, were wealthier and were heavier users of both email and the Internet.

For marketing managers the importance is to understand the nature and behaviour of the target audience. Read Marketing in Action 18.2 to find out more about how behaviours are being translated into action via the Internet.

**Marketing in Action 18.2 Know your Customer when Entering Global Markets**

| How to beat the buffet | | |
|---|---|---|
| 1: Fill bowl and lay carrot sticks across the top | 2: Build 'walls' with cucumber slices | 3: Fill tower with food of your choice |

Pizza Hut has successfully expanded around the globe using joint ventures and franchising to enter new markets. However, they did not anticipate that a visit from a single consumer called Shen Horgrui, an engineer to one of the chain's many restaurants in China, would result in the closure of all of their salad bars across the country. Shen Horgrui devised a way to make the best of the Pizza hut 'one bowl, one visit' rule at the salad bar to go a very long way. He used his knowledge of maths and architecture to create a food tower, using the buffet's ingredients over a metre high. Once he had perfected the technique of building food towers, he shared the instructions online so that other diners could benefit. This proved to be very popular, so much so that Pizza Hut banned this practice and removed all its salad bars in China.

***Based on: Ceurstemont, S. (2011);[43] Condliffe (2011);[44] Fernandez (2012)[45]***

The dimensions of the digital age have far-reaching implications for marketers. The technology has led to the development of new routes and channels to market, and there are a myriad of new applications which are used to entice growing audiences to live part of their lives online. Existing and new companies are continually in competition for market share. To succeed, online companies should plan carefully how they are using digital technology.

## Digital Promotions and Social Media Planning

This section explores the implications of digital promotions and social media for marketing planning. Digital technologies are reshaping business models, choice of promotional tools and media. In a recent study it was found digital is the 'central plank' which all communication agencies must be able to deliver. As a consequence there has been a significant shift away from more traditional communication tools and media[46] and battles are being fought over which service providers are the most adept at delivering digital communication plans. This shift in emphasis means marketers need to be aware of what they expect and how the technology can deliver their marketing objectives.

Deciding how to plan, resource, integrate, implement and monitor digital marketing activities can be guided by applying established marketing management principles and planning activities (as discussed in detail in Chapters 2 and 3). New technologies can be used to meet a range of different business objectives: sales, communications, or focus on the development and maintenance of mutually satisfying long-term relationships with customers by using digital technologies.[47] Therefore, the type of activities will determine the strategic significance of the plan and give focus to the operational context.

The formulation of the digital marketing plan is likely to be informed by four significant and interdependent elements.[48]

1. *Strategic alignment* of digital promotional activities with corporate, marketing and marketing communication strategies is important as it should ensure development of a potentially successful digital marketing plan. This process should also help define the purpose of the digital marketing activities.
2. The *value proposition* should emphasize the unique advantages created by the use of digital technologies for example, *choice* (amazon.com offers the world's widest and deepest range of books at very low prices), *convenience* (tesco.com offers round-the-clock shopping), *community* (Facebook brings people together around the world). The value proposition created through the relative advantage afforded by digital technologies should reinforce core brand values and be clearly articulated to target audiences. It will also determine the extent to which organizational change is required.
3. *Organizational change* is likely if the digital marketing plan is to be delivered successfully. A good example to consider is how retailers like Tesco and Sainsbury's have developed unique logistical solutions to support online ordering. E-commerce initiatives can involve applying a wide range of digital technologies: Internet, EDI, email, electronic payment systems, advanced telephone systems, mobile and handheld digital appliances, interactive television, self-service kiosks and smart cards. Consequently, utilizing such technologies may require significant changes to operations and working practices in order to ensure that the right skill sets (capabilities) and resources are available when required.
4. *Implementation* of the plan should be executed in a timely manner. Additionally, the success of the digital marketing plan is likely to be affected by senior management commitment, availability of appropriate resources and the appropriateness of the strategic vision that is guiding the implementation. The significance of the digital marketing plan for a company's overall strategy will also largely be dependent upon levels of technology adoption, investment and integration.

**Go to the website to view eBay's value proposition. www.mcgraw-hill.co.uk/textbooks/jobber**

In addition, analysis of the environment should take place in order to determine the likely relevance of digital marketing. When assessing a target audience the following information will be useful.[49]

1. *Customer connectivity*: the proportion of the target markets that has access to relevant technologies.
2. *Customer channel usage*: how often target market participants use online channels and how they use the particular digital channel/platform (e.g. purchase or research?). For instance, for each customer segment and digital channel (e.g. Internet, interactive digital TV or mobile), a company should know the proportion of the target market that:
   - *makes use* of and has access to a particular channel
   - *browses* and, as a result, is influenced by using the channel for pre-purchase research and evaluation
   - *buys* through the particular channel.
3. *Online media consumption*: how many hours each week are spent using the Internet in comparison with traditional media such as watching TV, reading newspapers or magazines, or listening to the radio?

In addition, marketers should also consider the competition and be able to answer the following questions.

- What specific strategic resources, capabilities and competences are required for successful digital marketing?
- How well are the expectations of consumers being fulfilled by our digital marketing activities? For example, is our website easy to use? Are our email or mobile campaigns well received or regarded as intrusive?
- What is the number of visitors to our website per month? How many viewers watch our interactive television (iTV) commercials?
- What is the average length of time visitors spend on our site?
- What are the most popular pages and products? What are the least popular?
- Which product categories generate most sales?
- Conversion rates: what is the proportion of visitors who place an order? What is the proportion of recipients of email or mobile campaigns, or iTV viewers who place an order?
- Click-through rates: how many visitors arrive at our site from banner advertisements or Web links from other sites?

Findings of the internal and external analysis should feed into marketing objectives, the creation of competitive advantage and communication plans.

## Implications for Marketing Planning in a Digital World

The degree to which digital marketing objectives will be defined can vary tremendously depending on the extent and time in which digital technologies have been utilized (for example, mobile phone operator Orange may set objectives that focus on customer retention, whereas Britvic sets objectives designed to foster the engagement of their target audience of parents). In general, digital marketing objectives fall within some or all of five categories.[50] Marketers must decide whether all or only some are going to drive their marketing plan.

1. *Grow sales*: through cheaper prices, wider distribution or greater product range.
2. *Add value*: through greater convenience (home shopping), improved 24/7 access, and/or more information (e.g. track orders, receive advice, read customer reviews, compare product features and benefits).
3. *Get closer to customers*: inbound by conducting online marketing research, monitoring chatrooms, **blogs** and social network sites, and tracking visits to sites; and outbound by search engine marketing, online public relations and advertising, and email and viral marketing campaigns.
4. *Save costs*: by replacing sales and telemarketing staff with online sales, order confirmation by email rather than post, online purchasing, and replacing hard copy catalogues, manuals and reports with online versions.
5. *Extend the brand online*: by raising awareness, enhance brand image and extend the brand experience.

### Creating competitive advantage

Marketers have long accepted that success demands identification of some form of *competitive advantage* capable of distinguishing an organization from other firms operating in the same market sector. The unique properties of digital technologies offer opportunities to establish new forms of competitive advantage. These include highly tailored communication campaigns, which can be designed to meet very specific communication objectives. The secret of the success of most digital operations is that they have exploited digital market advantages and new technologies, in order to deliver a value proposition superior to that of their competitors. Once a company has developed an understanding of the environment, competition and target market it can then begin to decide which digital tools are likely to be most effective.

### Evaluation and performance control

Evaluation and control systems need to be created that permit management to rapidly identify variance in actual performance versus forecast for all aspects of the digital marketing

mix. Management also requires mechanisms that generate diagnostic guidance on the cause of any variance. To achieve this aim, control systems should focus on the measurement of key variables within the plan, such as targeted market share, customer attitudes, awareness objectives for digital promotions and distribution targets.

*Web analytics* are the methods used to evaluate the success of digital marketing programmes. Such techniques allow the checking of whether objectives have been achieved by recording website visitor numbers, the most popular pages and products, how long visitors spend on site, which pages they visit (clickstreams), sales, and the individual sites or search terms used by visitors to find a site. Google Analytics is an excellent analytical tool, which is free to use. Omniture and Visual Sciences also provide web analytics systems.[51]

## Digital promotional tools

Once the environmental analysis is complete and the objectives set, consideration of the mix of digital promotional tools should be carried out. The Internet and the Web provide innovative options for the digital marketer: communications can be interactive, animated, personalized and instantaneous. However, the marketer needs to understand how the target customers will respond if he/she is to use this media successfully. For instance, sending personalized email marketing messages can help to build customer relationships, but the level of personalization should be appropriate to the stage of the relationship. If a company is too familiar too early in the relationship, the customer is likely to feel the company is being intrusive.[52] Nevertheless, use of digital promotional tools is on the increase.[53] In the UK spend on online advertising is now the most popular media for advertisers having overtaken the spend on television advertising. This includes social media, **mobile marketing**, video and online display advertising, all of which are increasing in terms of spend year on year.[54]

Types of digital promotional include:

### Online advertising and search engine marketing

*Online display advertising* aims to get a target customer to act immediately by clicking on the advert. These types of adverts include banner adverts, skyscrapers and pop-ups. They may be used to elicit various responses and meet a range of communications objectives, for example, increase action, change opinions, increase recall.

*Affiliate marketing* is a form of online advertising in which one business rewards another for placing advertising on their website. Each time a potential customer clicks on the link through to the originator of the advert website, the third party earns revenue. This approach originated on the PC Flowers & Gifts website and this company gains several thousand affiliates through the Worldwide Web. Affiliates place a PC Flowers & Gifts advert on their Web pages and this generates a great deal of business. The third-party advertisers were paid commission on the referred business. Amazon expanded its business using a similar approach and continues to encourage everyone to advertise Amazon products through its affiliate program.

*Search engine marketing* involves optimization of search listings and keyword searching. For instance, if searching Yahoo! using key words such as 'jewellery shop', the search engine will provide a list of companies offering such services. Yahoo! provides its Keyword Selector to help advertisers choose

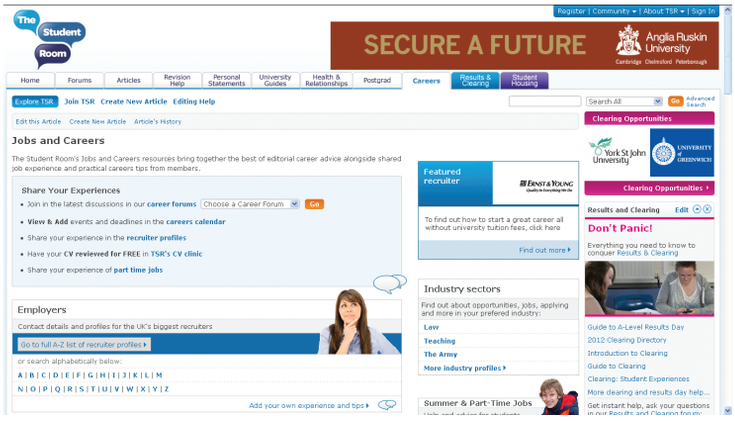



EXHIBIT 18.1 Leading brands use Facebook to engage target audiences.

EXHIBIT 18.2 Photos of celebrities such as Kate Moss, Eva Longoria and Jennifer Aniston wearing their products have helped Australian footwear and accessories company, UGG, grow their markets in both the US and Europe.

the best search term. Search engines like Yahoo! and Google generate revenue by charging each time an individual clicks on a sponsored link. The higher up the listing, the higher the price for click-through. Google sells a product called AdWords and claims:

AdWords adverts connect you with new customers at the precise moment the customers are looking for your products or services. With Google AdWords you create your own ads, choose keywords to help Google match your adverts to your audience and you pay only when someone clicks on them.[55]

It has been argued that it is very important for advertisers to appear in the optimum position on the computer screen if they are to attract the greatest number of visitors to their online offering. By paying for a sponsored link, an advertiser gains a prominent position on the search engine's listings. The amount a company pays depends on how much it bids for keywords that Internet users seeking a particular product are likely to enter: the higher the keyword bid compared to rivals, the higher the listing. While the average cost per click is 10–20p, in some competitive industries, such as financial services, it can be as high as £3.[56]

A second method of traffic building to a particular website is known as *search engine optimization* (SEO). This involves the achievement of the highest position in the natural listings on the search engine results pages after a keyword or phrase has been entered. The position depends on a calculation made by a search engine (e.g. Google) that matches the relevant site page content with the keyword (phrase) that is typed in. Unlike sponsored search (pay-per-click) SEO does not involve payment to a search engine to achieve high rankings. What a digital marketer needs is an understanding of how to achieve high natural rankings. Search engines use 'spiders' to identify the titles, links and headings that are employed to assess relevance to keywords and phrases. It is therefore important to ensure that the website includes the keywords (phrases) that a potential visitor might use to search for a particular type of company. For example, Ragdale Hall Spa Hotel's website includes terms such as 'weekend spa break', 'spa resort' and 'health spa', because they are key phrases used by consumers when searching for that type of hotel. This has achieved high ranking for the hotel on search engine listings.[57]

However, SEO has become more of an exercise in behavioural segmentation than a technical website development exercise, and so driving the *right* type of person to a site might be more important than where it ranks for a key phrase. Google suggest that there are more than 200 separate variables that can have an effect on the where and how a website finds itself in a search result. Google has set in place changes that might see website owners 'penalized' for overzealous SEO activity. There are clearly some organizations that play the SEO game with consummate success. A search for almost any consumer product will often find

Amazon and eBay returned within the first few results, a virtue of their size and authority as sites, their high-level linking, involvement in advertising programs and sophisticated automation of the SEO process. Within the hotel sector, many specialists admire Laterooms.com for its ability to perform highly against hotel brands and other booking services. Highly competitive industries, such as the insurance business, expend huge resources to compete with other firms on Google. However, some brand names, such as GoCompare, prefer to spend that resource in pay-per-click campaigns than on SEO activity—perhaps an indication that brand awareness and a large PPC budget might be more important in some verticals than SEO.

## Online video and interactive television advertising

Media-sharing sites have become increasingly popular and provide organizations and individuals with a platform on which to share visual, video and audio content. Popular platforms like YouTube and Flickr enable sharing of such content in an online environment. There are different types of content being produced depending on whether it is an individual or a business.

The growth of digital television has given rise to an increase in *interactive television (iTV) advertising*, where viewers are invited to 'press the red button' on their remote control handset to see more information about an advertised product. This form of advertising has a number of advantages from being highly measurable, which means advertisers can track the success of adverts displayed on different channels and at different times of the day. It also allows the targeting of niche audiences through specialist digital channels that focus on leisure activities such as sport, music and motoring and the provision of more in-depth information than a single television or press advertisement. For the user it is a convenient means of buying a product without having to use a telephone or computer. Apple iTV is an example of a form of interactive TV, which enables viewing, downloading and purchasing of a wide variety of films and video content.

**Go to the website to learn about PC World/Curry's multichannel approach. www.mcgraw-hill.co.uk/textbooks/jobber**

Many advertisers producing high-profile television campaigns are using this form of media to extend the reach of their adverts. Often films showing how the adverts are made are also used to increase customer engagement (see Ad Insight).

*Online video and interactive television advertising* refers to permission-based emails sent to customers, which are a form of marketing communications that is on the increase.[58] According to Pavlov *et al.* (2008),[59] email marketing campaigns produce approximately twice the return on investment of the other main forms of online marketing such as web banners and online directory adverts. Email marketing is an important method of digital marketing communication especially for companies seeking to build and maintain closer relationships with customers. Its widespread adoption as a means of distributing promotional messages has the advantages of low set-up and distribution costs, highly targeted distribution of promotional messages such as discounts and coupons, and affordability by small and medium-sized businesses.[60]

**Go to the website and see how LoveFilm is making use of digital technologies. www.mcgraw-hill.co.uk/textbooks/jobber**

Permission-based emails are in use because of widespread consumer complaints about unsolicited emails (known as 'spam'). Generally, permission marketing messages are sent when the receiver has given their consent to receive direct emails (in some countries, this is a legal requirement). Marketers using this form of communication find ways to encourage target audiences to 'opt in' to a firm's emailing list and in return they will receive materials that match their interests as recipients are more likely to open and read such messages.

Email marketing has been found to be most widely used as a call to action or for sales promotion offers. There are many techniques and tactics, which can be used to ensure the best performance for email marketing campaigns. Read the Research 18.1 tells you more.

*Online newsletters* are a form of email marketing, which tend to focus on a specific set of issues or interests. They can be sent at different frequencies and serve different communication objectives. For instance, when British Airways became part of IAG and switched its loyalty programme from Airmiles to Avios, it used its regular monthly newsletter to provide members of the programme with regular updates and information. When Avios was ready to launch, links to the sign-up page were provided. Newsletters are also a way to provide a direct link to a firm's Web pages.

**Read the Research 18.1 Technologically Enabled Communications**

Robert McDonald, CEO of Procter & Gamble, is on a mission to make his company the most technologically enabled business in the world. This insightful article from McKinsey traces the growth of digitization within the company and how to harness its power to 'touch and improve lives' better than before. No section has been spared. From improved innovation in manufacturing and lowering costs to building one-to-one relationships with all of its customers. The mission is clear and the outcome: a promise of faster growth.

With the continued exponential growth of emails dropping into our mailboxes, the e-retailers have had to devise an increasing number of tactical features to grab our attention. This research delves into how email marketers gain our attention with a range of features from animation to interaction, time of send and content length and structure. This comprehensive research lifts the lid and lets you see inside the world of the email.

*Fiona Ellis-Chadwick and Neil F. Doherty (2012) Web advertising: The role of email marketing,* Journal of Business Research *65(6), 843–8.*

*Mobile marketing* refers to the creation and delivery of marketing communications messages through mobile devices (phones, smartphones or tablet computers). Early examples of mobile marketing involved sending text messages containing advertising to willing recipients. However, widespread adoption of smartphones and wireless tablet computers have increased capacity for visual content as well as text-based content. Mobile marketing is becoming increasingly popular, but not all consumers are keen to receive marketing messages via their phones. Research found that 75 per cent of consumers in the UK were happy to get offers via their handsets compared to 72 per cent in the USA, 50 per cent in France and 46 per cent in Germany.[61] Nevertheless, one of the most rapidly growing forms of mobile marketing is smartphone applications (apps) (see Digital Marketing 18.1). For example, the deodorant brand Lynx, which is targeted mainly at young males, developed two mobile phone apps designed to help young guys be more successful with girls as part of their 'Get in There' campaign. The apps were downloaded over 350,000 times.

Mobile marketing has several advantages. It is:

- *cost effective*. The cost per message is between 15p and 25p, compared with 50p to 75p per direct mail shot, including print production and postage.
- *targeted and personalized*. For example, operators like Vodafone, Virgin Mobile and Blyk offer free texts and voice calls to customers if they sign up to receive some advertising. In signing up, customers have to fill out questionnaires on their hobbies and interests.
- *interactive.* The receiver can respond to the text message, setting up the opportunity for two-way communication.
- *personal*. It enables dialogues and relationship development. Multiple retailers like Currys, PC World and Carphone Warehouse are developing ongoing 'conversations' with their customers across a range of mobile and digital media.
- *time-flexible*. Text messages can be sent at any time, giving greater flexibility when trying to reach the recipient.
- able to *engage the audience*. This is becoming known as *proximity marketing*. Messages can be sent to mobile users at nightclubs, shopping centres, festivals and universities, indeed wherever recipients are at any time of the day or night.
- *immediately available*. For example, the US consumer electronics retailer, Best Buy, sends special offers and deals to customer smartphones using a technology that pinpoints when they are entering a Best Buy store.
- *immediate and measurable*. It can assist in database development.
- the *gateway to other channels*. For example, while the majority of marketers spend less than 5 per cent of their marketing budgets on mobile marketing, smartphones are increasingly replacing other devices as the means by which users download music, films and other multimedia content, access the Web, answer their emails and navigate (e.g,

### Digital Marketing 18.1 'Apps'—The New Digital Marketing Frontier

The increased use of mobile smartphones (such as iPhone, Android and Windows Phone) and tablet devices such as the iPad has led to an increase in the development and use of mobile applications—or *apps* as they are more commonly known.

The rise in apps can be attributed to two things—one is the huge processing power provided by mobile and tablet devices. The other is the relative small cost of apps when compared to traditional software costs. Mobile and tablet apps can often be free, but chargeable apps may cost no more than the price of a cup of coffee. App developers make their money not so much from the price of the app, but from the sheer volume of sales that come from a public able to afford (and not notice) the price of an app.

The environment for app use (mobile) has seen a rise in use of geolocational tools. These apps combine location awareness with particular services which can be provided to the users while they are on the move. Notable apps include FourSquare and Facebook Places (through the Facebook App) that allow users to 'check-in' at a location. A number of businesses are beginning to cotton on to the potential marketing capability of such tools and now market directly through geolocational apps to individual customers.

Check-in, originally seen as a kind of game without a goal, now has material benefits to the user. Many businesses have taken ownership of their locations and offer discounts, value-added products or unique purchases to people who have checked in. Businesses can yield publicity (both positive and negative) through the social element of location sharing.

Business uptake of geolocational app marketing has been limited, but the opportunities for place marketing combined with the social element of sharing means there could be business opportunities.

satnav apps). **QR codes** may increasingly be linked to an app store, where coupons can be downloaded for instant use.

***Buzz marketing*** is defined as the passing of information about products and services by verbal or electronic means in an informal, person-to-person manner. It is also about identifying triggers that will prompt new conversations from target audiences. For example, in the USA Nintendo recruited suburban mothers to spread the word among their friends that the Wii was a gaming console that the whole family could enjoy together. Buzz marketing is similar to word-of-mouth marketing, long recognized as one of the most powerful forms of marketing, but it has enjoyed a renaissance due to advances in technology such as email, websites and mobile phones.

The first step in a buzz marketing campaign involves identifying and targeting 'alphas'—that is, the trendsetters that adopt new ideas and technologies early on—and the 'bees', who are the early adopters. Brand awareness then passes from these customers to others, who seek to emulate the trendsetters. In many instances, the alphas are celebrities who either directly or indirectly push certain brands. For example, the Australian footwear and accessories brand UGG became popular in the US and European markets when photographs of actresses like Sienna Miller and Cameron Diaz appeared in the media wearing the products. Celebrities may be paid to endorse products or simply popularize products through their own choice. Critical to the success of buzz marketing is that every social group, whether it is online or offline, has trendsetters. The record company, Universal, successfully promoted its boy bands Busted and McFly by targeting these trendsetters. It recruited a 'school chairman' who was given the task of spreading the word about a particular band in their school. This involved giving out flyers, putting up posters on school noticeboards and then sending back evidence that this had been done. In return, the 'chairman'—who was typically a 12- to 15-year-old schoolgirl—was rewarded with free merchandise and a chance to meet members of the band. Developments in technology have allowed the 'buzz' to spread very quickly. As we saw earlier, viral marketing is popular because of the speed with which advertising gets passed on via email. The launch of Apple's iPhone is a classic example of the power of buzz marketing. According to Nielsen's Buzz Metrics, which tracks English-language blogs, the product had

more mentions than even the President of the USA around the time of its launch in January 2007, and had an entry on Wikipedia within minutes of it going on show.

Once the target audience has been identified, the next key decisions, like those for all forms of promotion, are the message and the medium. The message may take many forms, such as a funny video clip or email attachment, a blog or story, an event such as a one-off concert, and so on. For example, Diageo launched Smirnoff Raw Tea in the USA with a video clip featuring a spoof hip-hop song. The clip, entitled 'Smirnoff Tea Party', has been one of the most popular on YouTube, with over 3.5 million views. The medium used for carrying the message is frequently online but could also be through offline means such as posters or flyers. But, as with all aspects of buzz marketing, the only limitation is the imagination. For example, many individuals have used parts of their bodies or their private cars to carry commercial messages. Finally, given its novelty, evaluating the effectiveness of buzz marketing is difficult. Numbers are available regarding how many times a video clip is viewed but marketers will not be able to determine by whom.

*Websites* are an important part of an organization's communication strategy. The Web offers a high degree of flexibility in terms of what can be created in a website along with supporting digital technologies, which have revolutionized how organizations communicate.

Some organizations have developed highly sophisticated websites, which target various global audiences with an extensive range of product. However, others have been far more timid, developing small-scale, experimental applications: for example, the stark contrast between the reach and sophistication of Tesco.com compared to Morrison.co.uk.[62] Websites are potentially much more than a form of advertising as they can be used as an online store, an information repository, a portal or gateway for many different services. Two examples of website types are:

1. *Intermediaries websites*—which act as a portal or gateway to a variety of content. Examples are:
   - *Mainstream news media sites or portals*. These include traditional, for example, FT.com, Times, Guardian, Pureplay, Google news.
   - *Social networks*, for example, Facebook, Twitter, LinkedIn, Bebo, Tagged.
   - *Price comparison sites* (also known as aggregators), for example, Moneysupermarket, Kelkoo, Shopping.com, confused.com, mysupermarket.com.
   - *Superaffiliates*. 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 significant sales.
   - *Niche affiliates or bloggers*. These are often individuals but they may be important, for example, in the UK Martin Lewis of Moneysavingexpert.com receives millions of visits every month. Smaller affiliates and bloggers can be important collectively.
2. *Destination sites*. These are the sites that the marketer is trying to generate visitors for and which may be transactional sites: for example, retailers—John Lewis Partnership; financial services—Aviva.com; travel companies—ryanair.com, manufacturer's brands—Procter & Gamble.

## Social Media and Social Networking

**Social media** and social networking are relatively new phenomena, which are shaping the way some sectors of society communicate. Digital natives,[63] keyboard warriors and serial bloggers live out parts of their lives online, in communities created at virtual meeting places like Facebook, Biip, Habbo Hotel, Pintrest or Weibo. The Internet has given us a virtual environment, which has wrapped its way around the planet and created a platform for a multitude of activities. Social networking is the most pervasive so far; it has overtaken porn as the number 1 online activity, and consequently is proving to be of great interest to marketers as a potential communication and sales channel. In comparison, it took radio nearly 40 years to reach 50 million listeners and television 13 years to reach the same number, but in just four years 50 million users had Internet access and in less than one year over 100 million

**TABLE 18.1 Social media sites, their origin and users**

| Social network | Country of origin | User Community | Number of members in 2012 (estimated) in millions | Community of users |
|---|---|---|---|---|
| Facebook | USA | Youth 13+ | 800 | Global (limitations, e.g. China, Iran, Bangladesh, Pakistan) |
| Renren | China | College students | 160 | China, Asia |
| LinkedIn | | Business and professionals | 150 | Europe, Asia, South Africa |
| Badoo | Europe | Place to meet with friends | 125 | Europe and Latin America |
| Tagged | USA | Youth 13+<br>Mature users 35+ | 100 | North America |
| Google Plus | USA | 18+ circles of friends, place to get together online | 90 | Global (with some exceptions, e.g. N. Vietnam, China) |
| GupShup[64] | India | Youth 13+ sharing messages | 50 | India |
| Orkut | USA | School friends/college students and workmates | 66 | India and Brazil |
| Xing | | For business professionals | 11 | Germany, Austria and Switzerland |

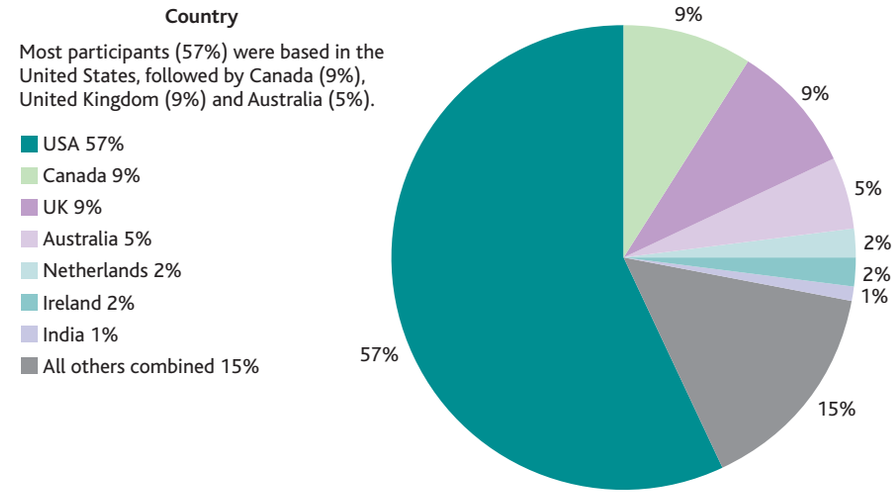
*Source*: http://www.affilatenetworking.com/top-social-networking-sites/ accessed April 2012; http://en.wikipedia.org/wiki/List_of_social_networking_websites accessed April 2012.

people had a Facebook account.[65] Table 18.1 shows the examples of social media sites, their country of origin and key community users. There are many online communities, which focus on various interests from art to education, but by far the most compelling driver of community growth is socializing, and sharing information, pictures, music and video.

In reality social networks are nothing new and certainly were not invented by Tom Anderson (Myspace), Mark Zuckerberg (Facebook) or Joseph Chen (Renren). Social networks have existed almost since the beginning of human kind. They consist of people (for the purpose of this text) who are connected together by relationships, friendships or interests. In 1975 Burke and Weir[66] found that individuals prefer to turn to friends and family in times of need, and being part of a social community gives individuals a sense of purpose.[67] Sociologists suggested that a great deal of our daily lives involves relationships between *helpers* and *recipients* (of help)[68] and the nature of these relationships is at the heart of the creation of social networks.

Online social networks have spread through global societies and research provides insight into this rapid diffusion.[69] It has been found that a potential adopter of a social network that is connected to many adopters (already members of a social network) is predisposed toward becoming an adopter him/herself. In other words, if you know many people who are, say, connected to Facebook, you are more likely to become a member than if very few of your friends, family, work colleagues are members. This research also highlights the importance of word of mouth in the development of online communities. You are also more likely to join a network that already has many members than one that is new with few members. The purpose of a Web-based social network is to enable an online community to use the functionality tools of the site (e.g. Pintrest, enable the sharing of pictures and images; YouTube, the sharing of video) to share messages, ideas and content with an online community of *friends* (term used by Facebook). So, now we understand a little about why more people than ever before are connected to each other via the Internet. But who are these people, what are they actually doing online, what is the impact of virtual communities on marketing? The rest of this section explores who social media consumers are and what they are doing online. How are social media used in marketing? What is the impact of social media on social behaviour?

**FIGURE 18.2 Use of social media**




*Source*: Miller M. (2012) The 5 Ws of social media marketing: Industry survey & insights, Search Engine Watch, http://searchenginewatch.com/article/2166552/The-5-Ws-of-Social-Media-Marketing-Industry-Survey-Insights-Study, 9 April.

## Who are social media consumers?

What do Eminem, Lady Gaga, Van Diesel and Megan Fox have in common? Nearly 20 million Facebook users say they like them. As well as saying who they like, every hour Facebook users share 3 million links, tag 4 million photos, upload almost 9 million pictures and post over 30 million comments.[70] But who are the members of social network communities and which businesses are seeking to target online communities?

Research has found that over 9 per cent of marketers use social media and over three-quarters feel this environment is important to their business.[71]

Looking at demographic variables—gender, age, race, income, education and geographic location of users—helps to build a profile of online users. See Table 18.2 for demographic variables of social networking site users (in the USA) and Figure 18.3 for use of social networking sites between 2005 and 2011.

By 2012 66 per cent of adults that have access to the Internet used social networking sites. Table 18.2 shows that users are most likely to be aged between 18 and 49, as almost three-quarters of all adults in these age bands say they use one or more social networking sites. They are most likely to have some form of post-16 education and and are slightly more likely to be female than male.

Age has been a key differentiator of the users of social networks since their inception. Although the number of users over the age of 65 is increasing, those under 30 are more likely to use a social networking site than any other age group. Social media are increasingly being added to campaigns targeting younger audiences. See Digital Marketing 18.2 to see how Boots 17 adopted social media and developed a highly creative campaign.

## How social media are used in marketing

Developing a plan for using social media is much the same as any other marketing planning exercise in so far as there is a requirement to understand the situation in which social media are going to be used, the needs of the target audience and their behaviour. It is also equally important to set clear objectives. This is perhaps where the planning process becomes more complicated. In order to state objectives, a company must be clear about the types of

| TABLE 18.2 Who uses social networking sites? | |
|---|---|
| % of internet users within each group who use social networking sites | |
| **All internet users** | **66%** |
| **Gender** | |
| Men | 61 |
| Women | 71* |
| **Age** | |
| 18–29 | 86*** |
| 30–49 | 72** |
| 50–64 | 50* |
| 65+ | 34 |
| **Race/Ethnicity** | |
| White, non-Hispanic | 64 |
| Black, non-Hispanic | 68 |
| Hispanic (English- and Spanish-speaking) | 72 |
| **Household Income** | |
| Less than $30,000 | 71* |
| $30,000–$49,999 | 69 |
| $50,000–$74,999 | 60 |
| $75,000+ | 69* |
| **Education level** | |
| Less than high school | 63 |
| High school grad | 62 |
| Some college | 71* |
| College+ | 67 |
| **Geographic location** | |
| Urban | 69 |
| Suburban | 65 |
| Rural | 64 |

*Note*: *indicates statistically significant difference between rows. Extra asterisks mean differences with all rows with lower figures.

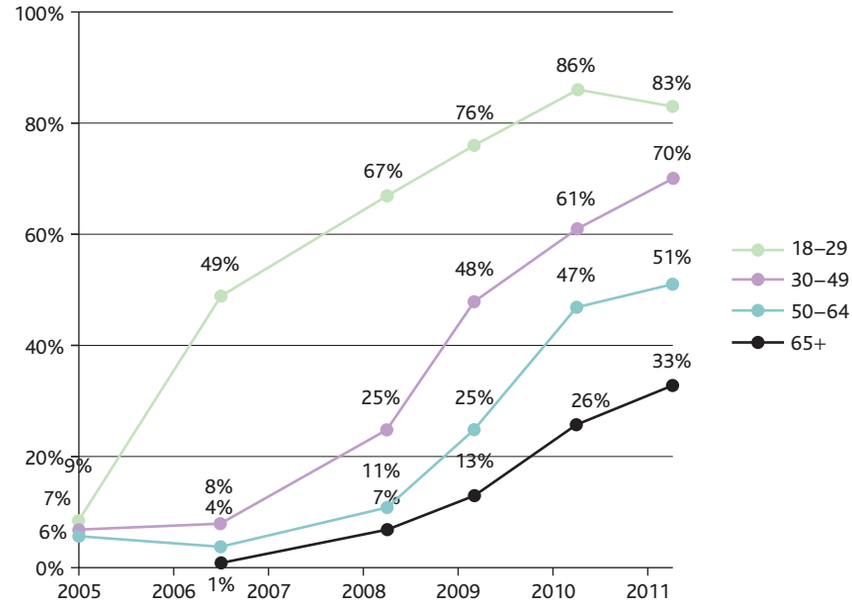
*Source*: Pew Research Center's Internet & American Life Project, January 20–February 19, 2012 Winter Tracking Survey. n = 1729 adult internet users ages 18 and older, including 901 cell phone interviews. Interviews were conducted in English and Spanish.

objectives that can be achieved through social media. According to Tuten and Solomon (2013),[72] companies using social media can be at different stages, which can have implications for the types of objectives they are likely to pursue:

*Trial phase*—at this level a company has just begun using social media and is testing what it can deliver. There is a tendency to 'play' and experiment. At this stage there is little consideration of longer-term strategic objectives, as the focus is on making use of social media platforms like Facebook, Twitter and YouTube. The types of objectives typically pursued at the level are: increasing website traffic and improving public relations.

**FIGURE 18.3 Social networking site use by age group, 2005–2011**

The percentage of adult Internet users in each age group who use social networking sites




*Note*: Total n for Internet users age 65+ in 2005 was < 100, and so results for that group are not included.

*Source*: Pew Research Center's Internet & American Life Project surveys: February 2005, August 2006, May 2008, April 2009, May 2010, and May 2011. http://pewInternet.org/Commentary/2012/March/Pew-Internet-Social-Networking-full-detail.aspx

## Digital Marketing 18.2 Mother and '17 Make-up Songs' to Share

Many brands are using social media to connect with their target audiences. Boots 17 Cosmetics is no exception. The brand has launched a social media campaign, making use of new music artists to engage the brand with its teen audiences.

The campaign created by Mother, a UK independent advertising agency, was called '17 make-up songs' and featured new bands and solo artists creating music and videos. The thinking behind the campaign was to use young musicians that the teenagers in the target audience could connect with. Each of the products launched by 17 had 'emotions' of the item of make-up explained to an artist, for the artist then to bring it to life through music.

The campaign featured a pop promotion with the launch of each new product, with press and digital ads. The aim was to drive members of the target audience to Boots 17's Facebook page. The songs were then made available through iTunes and Spotify.

A band called Summer Camp created the first song for 17's 'Magnetised Nail Polish' promotion. The title for the song was 'You Might Get Stuck On Me'. The resulting product was tailored by the consumers, who created their own customised nail polish.

Lara Purcell, head of marketing for beauty at Boots, said: '17 is a young, vibrant, sassy brand that consistently delivers exciting and innovative products.'

***Based on: Eleftheeriou-Smith (2011)***[73]

*Transition phase*—this occurs when companies are making more significant use of social media. This can be considered as a mature phase. Beall's, a US department store, began using Internet advertising in the early days to drive traffic to its website and promote sales, etc. Currently, the company makes extensive use of social media in order to engage its target audiences in conversation. The company's Facebook pages are updated several times a day and commercial fan coupons are released so they can be shared among the community. At this phase, the use of social media becomes more sophisticated and more integrated with the IMC and marketing strategy. At this level examples of objectives are: improving public relations and increasing product awareness.

*Strategic phase*—this occurs when an organization enters the final level. At this point the use of social media will be fully integrated across the business activities and incorporated into all levels of planning. At this level, the majority of adopters are pursuing objectives such as: increasing brand awareness, improving brand reputation and increasing website traffic.

Across all of the phases limited attention is given to objectives associated with increasing sales or reducing costs. See Mini Case 18.1 for further insight into who does have a profit motive when it comes to social media.

Once objectives have been set, the next stage in planning social media initiatives is to gather insight into target audiences by finding out which segments to target and which type of social media is the most appropriate. It is especially important to find out about their media habits, interests and online behaviour. This analysis should help to focus on the type of social media area (as discussed earlier in the chapter): for example: *social community media*, *social publishing media*, *social commerce media* or *social entertainment media*.

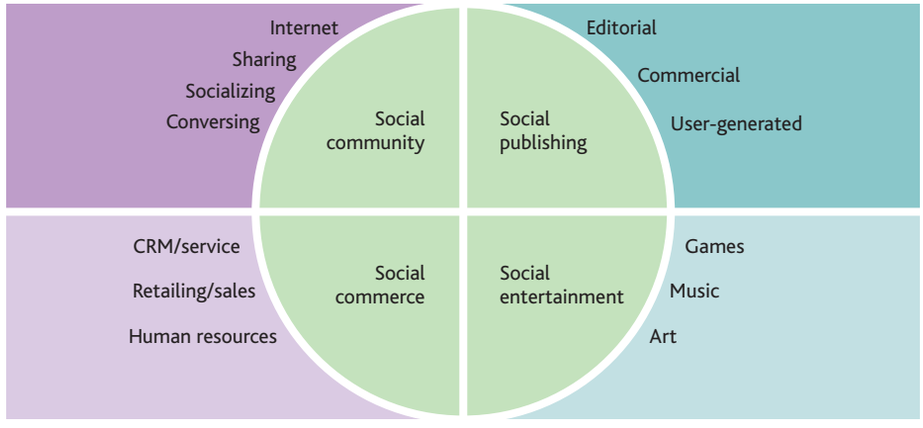
Each area has implications for the types of social media that the organization might employ to achieve its objectives. Figure 18.4 shows the different zones.

*Social community*: in this type of community individuals build personal profiles and these form the basis of what other community members can see and engage with. In addition there are indicators as to the type of presence an individual wishes to portray. For example, they can use availability indicators, mood icons, friend lists, status updates and news feeds, which can be shared with other community members (e.g. Facebook).

*Social publishing*: in this type of community the focus is on producing content. Written, video, audio, and in the form of blogs, microblogs, reviews, press releases, webinars, podcasts. Site examples are Twitter, YouTube and Pintrest.

*Social commerce*: in this type of site the community interest is shopping, developing relationships and providing support. The aim of the community is to enhance the shopping

**FIGURE 18.4 Types of social media activity**



## Mini Case 18.1 Where's the Money?

Google, with its sponsored links and Adword rankings has developed a financially successful model for generating advertising revenue. It is important that Google users are not averse to the sponsored links as they are able to discriminate easily between advertisers' links and generic search results. This aspect is part of the key to the success of Google's advertising revenue model. Social networks have yet to produce such a successful model that can leverage income from millions of global users.

However, Facebook is encouraging the spread of brand messages through its massive and complex community of friends. If it can successfully persuade network members to promote brands individually, Facebook may have a compelling model for making direct connections and relationships between consumers and brands. The advertising model used by Facebook is not yet as robust as Google's, but companies are spending at least some of their communication budget on social networks (particularly in the USA) and this is set to grow in the future. Twitter also allows some advertising. 'Promoted tweets' are listed at the top of tweet listings based on keyword content. Trend topics are an extension of this method, which are expensive for the advertiser as they have greater reach.

Charging a platform tax is another method of raising revenue from social networks. Facebook, LinkedIn, Twitter and Skype have devised platforms that can allow other providers to operate within their platform frameworks. For example, Facebook allows other Internet companies to run services within its platform. Zynga sells virtual goods to people who play on its free games in Cityville (a simulation game). The game is a freemium game, for which there is no charge to play, but there are options to purchase premium content. Facebook makes money by tracking users of Zynga games and charging for the number of users.

Virtual gifts—Facebook's virtual gift shop generates revenue but also uses this revenue stream for making charity donations. So, as well as a financial gain there is also an opportunity for developing brand equity.

Social networking sites have the critical mass required to make advertisements *fly* and generate significant revenues. However, there is still some caution in the world of finance about whether the promised wealth from the billions of connections provided by social networks will ever be fully delivered.

### Questions:

1 Comment on the growing domination of advertising by Google and Facebook.
2 What are the advantages and disadvantages of using Facebook as an advertising medium?

*Based on: Wikipedia (2012);[74] Waters (2011);[75] Kulkarni (2012);[76] Phatak (2012);[77] Bradshaw (2011)[78]*

experience through referrals, ratings, reviews and sharing opinions of levels of service. Retailers are part of these communities and they seek to educate shoppers about their products and services. Site examples are Groupon, Etsy, Facebook.

*Social entertainment*: involves communities of like-minded individuals who play games and enjoy online entertainment. Social games include games platforms such as Sony Playstation3 and Microsoft Xbox which enable multiplayer games. Other genres of games are *simulation games* (e.g. Farmville), *action games* (e.g. Epic goal, Paradise Paint Ball), *role playing games* (e.g. Dungeons and Dragons, Tennis Mania) and *strategy games* (e.g. Word Cube, Kingdoms of Camelot). Game-based marketing means that brands take part and offer social games which have promotional marketing elements. In-game advertising is

## Digital Marketing 18.3 Last Exit to Nowhere

Example of a Last Exit t-shirt inspired by the legendary English film director and producer Alfred Hitchcock.

'Last Exit to Nowhere' is a small t-shirt business selling handmade t-shirts linked to the cult movie business and is in every way a typical long-tail business. It produces a niche product that will appeal only to a small handful of people in any town, but it manages to reach out to many people across the globe.

Last Exit provides a stylish website powered by a standard e-commerce engine. It practises normal search marketing techniques to attract new customers in a fairly crowded novelty t-shirt market. What distinguishes this company is its use of social media to engage (and ultimately retain) a growing band of loyal customers.

A lively Facebook page constantly engages its followers with quirky discussions of films. Rather than a direct sale, conversations and dialogues often dwell on subjects and topics that have little to do with any of the products on sale. The Facebook page acts more like a gentle nostalgia trigger, throwing out suggestions and asking opinions. The trick is the reliance on nostalgia, which unifies (and at times divides) the fans of the page.

The Twitter account invites followers to new engagements made on the Facebook page or stimulates similar conversations in the much shorter dialogue framework Twitter permits.

Occasionally there are competitions for free products and even less often there are links to the product range—although new lines are clearly announced when they are created. Last Exit is confident that it does not have to do the hard sell. In fact there are many occasions where the customers are involved in the product design—film fans are like music fans and can have zealous knowledge of certain films and genres—and involving them in the decision as to whether a t-shirt design is 'good enough' is an important tool in their product development kit.

***Based on: www.lastexittonowhere.com***

also popular as well as product placement. Read Digital Marketing 18.3 to find out more about how Last Exit to Nowhere is making use of social media.

A key benefit of digital technology is that it allows companies to target very specific markets, even a market of one. This means developing plans to operate as 'micronichers', customizing communications to the needs of an individual. Broadly speaking, at this highly customized level it is crucial to know which variables are most important for the target customer. A digital marketing manager should know the key triggers for individual (targeted) customer decisions (best price, best quality, best delivery, best service, best image, best environment) as this will help to determine which digital promotions are the most significant.

## Are blogs out of date?

In the early part of the twenty-first century blogging platforms appeared on a regular basis allowing individuals and (perhaps more importantly) the non-technical participants of business to publish content on the Internet for others to see and share. Many commentators, such as Robert Scoble, identified the blog as a key platform that businesses could use to engage directly with customers, sharing news and views and communicating values through what appeared to be a more human and organic approach.

With the growth of other participatory content-creation platforms, including Facebook, the question has to be asked whether blogs have simply blurred into mainstream media production—or is there still a place for something special called 'a blog'? Many corporate

blogs have become part of the normal production of everyday marketing communications. Too many blogs are not written by the CEO, but by a ghost writer, and they seem less of an insight and a direct communication with customers and more of a channel to broadcast news. Celebrity bloggers seem to have moved channels, with many transforming their content into written literature or working with traditional media news outlets. Other blogs have increased in size (e.g. Mashable and BoingBoing), in terms of followers.

Platforms such as Twitter (described as a 'micro-blogging' tool) clearly take something away. Popular blogs have to some extent become social networks in their own right—which establishes 'the blog' as potentially the digital heart of a community. Marketers who identify this may find they are able to access customers directly in their channel of preference. As for the small business, a blog becomes a valuable and simple communication tool. Blogging platforms now regard themselves as content-management systems that are easy to use. The name may be changing as a result of evolution, but there are still elements that will persist for the foreseeable future.

Once the focus of the social media campaign is decided then the messages need to be shaped and the experience decided on. This is challenging for many brands and organizations as they have to determine how to engage their customers in an online social space. In the final stages of the planning activity an activation plan is defined and suggestions on how to measure performance are offered.

Measurement of social media involves looking at levels of:

- *activity*—frequency and number of blogs, and posts
- *interaction*—frequency of registrations, downloads, time spent on the site
- *performance*—customer lifetime value, lead conversion rates, ROI.[79]

## Ethical Issues in Digital Marketing

Increased adoption of digital technologies within marketing has had many beneficial effects, such as increasing customer choice and convenience, and enabling smaller companies to compete in global markets across a range of digital platforms. However, there are some key ethical issues emerging as a result of increased usage of digital technologies.

### The digital divide

The historical timeline of the development of Internet technologies reveals that, in the early days, it served highly specialized purposes and was used by expert technologists. Expansion and changes in the development of the World Wide Web have made Internet technology more accessible to a greater number of people, but there remains a virtual divide between the technology's 'haves' and 'have nots'. Hoffman and Novak[80] examined the extent to which the Internet has become indispensable, and found significant differences in usage based on race and educational attainment. They concluded that educational attainment is crucial if the digital divide is to be closed, and that efforts should be made to improve access for Hispanic and black populations in North America.[81]

Public and private organizations around the globe need to find creative solutions to improve Internet access for all citizens, regardless of their demographic background, as they should not be deprived of Internet access due to financial restrictions, a poor education and/or a lack of computer skills. From a commercial perspective it is also important to acknowledge that while the networks forming the Internet reach around the globe, access is far from equal and equitable.

However, mobile phones and digital television (DTV) have been more widely adopted and reach into the community. For example, mobile phone ownership is currently nearing 95 per cent of the adult population and DTV reaches 63 per cent of households.[82] The digital divide in computing might also be on the point of being bridged, with a £7 laptop being launched in India.[83]

Recent research suggests that there is a new form of digital divide forming.[84] As digital technologies become more widespread it is specific aspects of the technologies that form divisions. For example, Londoners prefer to talk rather than text, whereas in Northern Ireland

more texts are sent per week than anywhere else in the UK; rural Internet users are stuck with slow connections in comparison with their urban neighbours; and three hours more television is watched per week in Scotland than anywhere else in the UK.

## Social exclusion

Another ethical consideration is the fear of technological exclusion of the poorest members of society who cannot afford a computer, broadband connection, interactive television, digital radio or 3G phone and therefore cannot benefit from the vast array of products and services available, or access to information sources. For example, Prudential, the financial services company, has faced strong criticism for the way Egg, its high-interest savings bank, cut itself off from mainstream customers by offering Internet-only access, thereby creating a system that ensured it attracted only the wealthiest customers. Some utility companies, too, may be discriminating against low-income groups by offering cut-price energy only over the Internet. Conversely, many other public- and private-sector organizations throughout the European Union are committed to finding ways to support sectors of the community that are currently excluded from the growing knowledge economy. Abbey National, a UK bank, working in conjunction with the charity Age UK, has invested in free computer and Internet taster sessions for the over-50s as part of an initiative to encourage use of the Internet.

However, there is also evidence of technology delivering advantages to socially deprived sectors of society. Mobile phones have aided homeless people by allowing them to avoid the embarrassment of not having a permanent address by giving a mobile number on job applications.[85] Additionally, mobile phones are reportedly popular with people who are deaf and hard of hearing, as using the short messaging service (SMS) functions on mobiles helps people with hearing difficulties to communicate freely by sending text messages.[86]

## Intrusions

Some Internet users are very wary of online shopping because of the information provided about them by cookies. These are tiny computer files that a marketer can download on to the computer of the online shoppers that visit the marketer's website, to record their visits. Cookies serve many useful functions: they remember users' passwords so individuals do not have to log on each time they revisit a site; they remember users' preferences in order to provide more relevant pages or data; they remember the contents of consumers' shopping baskets from one visit to the next. However, because they can provide a record of users' movements around the Web, cookies can give a very detailed picture of people's interests and circumstances. For example, cookies contain information provided by visitors, such as product preferences, personal data and financial information, including credit card numbers. From a marketer's point of view, cookies allow customized and personalized content for online shoppers. However, most Internet users probably do not know that this information is being collected and stored, and would object if they did. (Incidentally, online users can check if their drive contains cookies by opening any file named 'cookies'.) Some people fear that companies will use this information to build psychographic profiles that enable them to influence a customer's behaviour. Others simply object that information about them is being held without their express permission

However, there is a counter-revolution taking place. While companies have been keen to dispel fears (especially amongst consumers) and play down the extent to which technology can be used to predict behaviour, there has been a rise in the use of what might be called *consumer espionage*. Consumer brands, social networks and dedicated sites like ihateryanair.org and mumsnet have to be wary of the rise of the 'acute public analysis or outright criticism of a brand's behaviour products or service'. Viral messages can spread fast and consumer power is on the increase.[87]

E-mail is an excellent medium, but it is a mistake to use it without prior consent. It is better suited to the later stages of developing a relationship. We believe the best solution is for Internet service providers to install the protection on behalf of their customers, who shouldn't have to worry about it.[88]

Once again there are also examples of how technologies are enhancing rather than reducing an individual's privacy—for instance, texting medical results to individuals so avoiding anyone else being able to intercept the message.

## Marketing to children

Another potential ethical issue is that of using the Internet to market to children. The Internet is a very popular medium with youngsters and there are ethical issues that companies need to keep in mind. For example, websites may contain advertisements. Are children being tricked by merging advertising with other website content? Are children aware that personal information that is being solicited from them may be used for future marketing purposes? Do they realize that every mouse click may be being monitored?

Online LearningCentre

## When you have read this chapter

log on to the Online Learning Centre at **www.mcgraw-hill.co.uk/textbooks/jobber** to explore chapter-by-chapter test questions, links and further online study tools for marketing.

# Review

1. **The concept of digital marketing**
   - The application of digital technologies that form channels to market (the Internet, mobile, wireless, and digital television) to achieve corporate goals through meeting and exceeding customer needs better than the competition.
2. **The concept of social media**
   - Online social communities which facilitate the sharing of ideas, information, publishing documents and video content. The concept is increasingly being used by marketing managers as part of their digital promotion campaigns.
3. **Dimensions of the digital communication environment**
   - There are four key dimensions to consider: technology, applications, marketing, and audiences.
4. **Digital promotions and social media planning**
   - Deciding how to plan, resource, integrate, implement and monitor digital marketing activities can be guided by applying established marketing management principles and planning activities (as discussed in detail in Chapters 2 and 3). New technologies can be used to meet a range of different business objectives: sales, communications, or focus on the development and maintenance of mutually satisfying long-term relationships with customers by using digital technologies.
5. **Digital marketing objectives**
   - Fall into five categories; grow sales, add value, get closer to customers, save costs, and extend the brand online. Marketing managers need to select objectives which meet their needs.

6 **Digital promotional tools**
- Types of digital promotions include online advertising, online video and interactive television advertising, mobile marketing, buzz marketing, websites and social media.

7 **Social media and social networking**
- A term used to refer to online community websites, with individuals who can become members, share ideas and interests, e.g. Facebook; publish and distribute articles and video and other multimedia content, e.g. YouTube; carry out social commerce activities like writing reviews, buying and selling, e.g. TripAdvisor; play games across communities, e.g. Zynga.

8 **Ethical issues in digital marketing**
- These are the potentially harmful effects of creating a digital divide between those with digital access and those without. The possible outcome is social exclusion of those who cannot afford digital devices. Intrusions on privacy, and marketing to children are also ethical considerations related to digital marketing.

# Key Terms

**blog** short for weblog; a personal diary/journal on the web; information can easily be uploaded on to a website and is then available for general consumption by web users

**buzz marketing** the passing of information about products and services between individuals, which is sufficiently interesting to act as a trigger for the individuals to share the information with others

**digital marketing** the application of digital technologies that form channels to market (the Internet, mobile communications, interactive television and wireless) to achieve corporate goals through meeting and exceeding customer needs better than the competition

**e-marketing** a term used to refer to the use of technology (telecommunications and Internet-based) to achieve marketing objectives and bring the customer and supplier closer together

**microblogging** involves the posting of short messages on social media sites like Twitter and Reddit

**mobile marketing** the sending of text messages to mobile phones to promote products and build relationships with consumers

**multichannel** involves an organization that is using different channels—physical retailer stores, the Web and mobile, to enable its customers to buy, communicate, gain access to information or pay for goods and services. The organization in return provides consistent levels of service and marketing mix across all of the channels

**QR codes** a form of barcode which, once scanned, can link the user directly to Web content, digital adverts and other available content. They are easy to use and smartphones can read the codes

**social media** a term used to refer to online community websites, with individuals who can become members, share ideas and interests, e.g. Facebook; publish and distribute articles and video and other multimedia content, e.g. YouTube; carry out social commerce activities like writing reviews, buying and selling, e.g. TripAdvisor; or play games across communities, e.g. Zynga

# Study Questions

1. **Explain the meaning of the terms *digital promotions* and *social media*.**
2. **Identify the key dimensions of the digital communication environment.**
3. **Discuss how marketing might be affected by the dimensions of the digital communication environment.**

4. **Suggest how a business-to-consumer organization might use a multichannel approach. Give examples of companies using a multichannel approach.**
5. **Consumer behaviour is highly variable and complex. Suggest what variables a marketing manager might use to help him gain a better understanding of the company's online target audiences.**
6. **Discuss the key considerations when developing a digital and social media campaign.**
7. **Identify and explain the different types of digital promotional tools.**
8. **Explain social media and suggest how this growing phenomenon might be used by marketing managers.**
9. **Discuss the key ethical issues a marketing manager might consider when planning a social media campaign.**

# References


1. Doherty, N. and F. Ellis-Chadwick (2003) The Relationship between Retailers' Targeting and E-commerce Strategies: An Empirical Analysis, *Internet Research* 13(3), 170–82.
2. Ellis-Chadwick, F. and N. Doherty (2012) Web advertising: the role of email marketing, *Journal of Business Research* 65(6), 843–8.
3. DTI (2004) *Business in the Information Age: The International Benchmarking Study 2004*.
4. Pidd, H. (2009) Web Worldwide: UK Housewives Love It, Chinese Use It Most, Danes Are Least Keen, *The Guardian*, 1 January, 3.
5. Rushe, D. (2011) Renren, China's answer to Facebook, plans US float, *The Guardian*, 21 February.
6. Chaffey, D., K. Johnston, R. Mayer and F. Ellis-Chadwick (eds) (2000) *Internet Marketing: strategy, implementation and practice*, Harlow: Prentice Hall/Financial Times, 411.
7. Asia Internet Usage (2011) *Internet World Stats* http://www.Internetworldstats.com/stats3.htm#asia 31 December.
8. Kiss, J. (2011) Weibo: the Chinese twitter that dwarfs twitter, *Guardian*, http://www.guardian.co.uk/technology/pda/2011/jul/15/weibo-twitter-china 15 July.
9. Hoffman, D. and T. Novak (1997) A New Marketing Paradigm for Electronic Commerce, *The Information Society* 13, 43–54.
10. Chaffey, D. and F. E. Ellis-Chadwick (2012) *Digital Marketing: Stralegy, Implementation and Practice*, 5th edn, Harlow: Pearson, 8.
11. Tuten, T. L. and M. R. Solomon (2013) *Social Media Marketing*, Upper Saddle River NJ: Pearson, 3.
12. Tuten and Solomon (2013) op. cit., 4–7.
13. Martin, Arlene (2011) Want a 'sat nav' app to get round Tesco? Um, no thanks, *Which?*, 27 May.
14. Treeva Fenwick (2010) *Bar Code Technology, Retail Management and Marketing*, The Open University, iTunes.
15. Nuttall, C. (2011) Our future is up in the clouds, *Financial Times*, 17 June, 14.
16. Pyle, R. (1996) Electronic Commerce and the Internet, *Communications of the ACM* 39(6), 22–4.
17. Doherty, N. F. and F. Ellis-Chadwick (2010) Internet retailing: the past, the present and the future, *International Journal of Retail & Distribution Management* 38(11/12), 943–65.
18. Doherty and Ellis-Chadwick (2010) op. cit.
19. Basu, A. and S. Muylle (2003) Online support for commerce processes by web retailers, *Decision Support Systems* 34(4), 379–95.
20. Srinivasan, S., R. Anderson and P. Kishore (2002) Customer Loyalty in e-commerce: an Exploration of its Antecedents and Consequences, *Journal of Retailing* 78(1), 41–50.
21. Doherty and Ellis-Chadwick (2010) op. cit.
22. Jones, G. (2011) The Carphone Warehouse harnesses the power of the mobile medium to facilitate multi-channel assistance and drive sales, *Marketing Week*, May, 43.
23. Barnett, M. (2011) Why websites generate much more than sales, *Marketing Week*, 16 June, 22–3.
24. Mark Frary (2012) Staff may be remote but they're not out of touch, *The Times*, 1 May.
25. Wylie, E., S. Moore, L. Grunberg, E. Greenberg and P. Sikora (2010) What Influences Work-Family Conflict? The Function of Work Support and Working from Home, *Curr. Psychol.* 29, 104–120, DOI 10.1007/s12144-010-9075-9.
26. Snoad, L. (2011) The vital connection between staff and the bottom line, *Marketing Week*, 10 November, 14–18.
27. Basu and Muylle (2003) op. cit.
28. Doherty, N. F. and F. E. Ellis-Chadwick (2009) Exploring the Drivers, Scope and Perceived Success of e-Commerce Strategies in the UK Retail Sector, *European Journal of Marketing* 43(9/10), 1246–62.
29. Srinivasan, S., R. Anderson and P. Kishore (2002) Customer Loyalty in e-commerce: an Exploration of its Antecedents and Consequences, *Journal of Retailing* 78(1), 41–50.
30. Doherty, N. F. and F. Ellis-Chadwick (2010) Evaluating the role of electronic commerce in transforming the retail sector, *The International Review of Retail, Distribution and Consumer Research*, 20(4), 375–78.
31. Arora, N., X. Dreze, A. Ghose, J. D. Hess, R. Iyengar, B. Jing, Y. Joshi, V. Kumar, N. Lurie, S. Neslin, S. Sajeesh, M. Su, N. Syam, J. Thomas and Z. J. Zhang (2008) Putting One-to-One Marketing to Work: Personalization, Customization, and Choice, *Marketing Letters* 19, 305–21.
32. Kim, C. S., W. H. Zhao and K. H. Yang (2008) An Empirical Study on the Integrated Framework of e-CRM in Online Shopping: Evaluating the Relationships Among Perceived Value, Satisfaction, and Trust Based on Customers' Perspectives, *Journal of Electronic Commerce in Organizations* 6(3), 1–19.
33. Kaufman-Scarborough, C., M. Morrin, G. Petro and E. T. Bradlow (2006) Improving the Crystal Ball: Consumer Consensus and Retail Prediction Markets, Working Paper: The Wharton School of the University of Pennsylvania, April.
34. Nutley, M. (2011) Constant communication takes marketers down a beta channel, *Marketing Week*, 1 September.
35. Grant, J. (2008) Timesaver or Digital Foot in the Door?, *The Guardian*, Special Report on Internet Advertising, 3 November, 4.
36. Murphy, C. (2008) Campaigns Get Smart, *The Guardian*, Media Guardian Report on Changing Advertising, 22 September, 1.

37. Doherty and Ellis-Chadwick (2010) op. cit.
38. Hoffman, L. and T. P. Novak (1997) A New Marketing Paradigm for Electronic commerce, *The Information Society* 13, 43–54.
39. Swaminathan, V., E. Lepkowska-White and B. P. Rao (1999) Browsers or buyers in cyberspace? An investigation of factors influencing electronic exchange, *Journal of Computer-Mediated Communication* 5(2), 1–19.
40. Jayawardhena, C., L. T. Wright and C. Dennis (2007) Consumers online: intentions, orientations and segmentation, *International Journal of Retail & Distribution Management* 35(6), 512–26.
41. Kukar-Kinney, M., N. M. Ridgway and K. B. Monroe (2009) The relationship between consumers' tendencies to buy compulsively and their motivations to shop and buy on the Internet, *Journal of Retailing* 85(3), 298.
42. Brashear, T. G., V. Kashyap, M. D. Musante and N. Donthu (2009) A profile of the Internet shopper: evidence from six countries, *Journal of Marketing Theory and Practice* 17(3), 267–281.
43. Ceurstemont, S. (2011) Beat the salad bar: build the ultimate food tower, *New Scientist*, 28 December.
44. Condliffe, J. (2011) Salad-bar strategy: the battle of the buffet, *New Scientist*, http://www.newscientist.com/article/mg21228440.800-saladbar-strategy-the-battle-of-the-buffet.html?full=true, 27 December.
45. Fernandez, C. (2012) The leaning tower . . . of Pizza Hut's salad bar: Diner devises 3ft pile to get round rules at local restaurant, http://www.dailymail.co.uk/news/article-2084033/The-leaning-tower--Pizza-Huts-salad-bar-Diner-devises-3ft-pile-round-rules-local-restaurant.html, 10 January.
46. Singh, S. (2011) Pitch, *Marketing Week*, http://pitch.marketingweek.co.uk.
47. Chaffey, D. and P. R. Smith (2008) *eMarketing Excellence: Planning and Optimizing your Digital Marketing*, Oxford: Butterworth Heinemann; Payne, A. F. T. and P. Frow (2005) A Strategic Framework for Customer Relationship Marketing, *Journal of Marketing* 69(4), 161–76.
48. Doherty, N. and F. Ellis-Chadwick (2004) Strategic Thinking in the Internet Era, *British Rail Consortium [BRC] Consortium Solutions* 3, 59–63.
49. Chaffey and Ellis-Chadwick (2012) op. cit.
50. Chaffey and Smith (2008) op. cit.
51. Chaffey, D. (2008) How to Exploit Search Engines, *The Marketer*, December/January, 32–7.
52. White, T. B., D. L. Zahay, H. Thorbjørnsen and S. Shavitt (2008) Getting too Personal: Reactance to Highly Personalized Email Solicitations, *Marketing Letters* 19(1), 39–50.
53. http://searchenginewatch.com/article/2166552/The-5-Ws-of-Social-Media-Marketing-Industry-Survey-Insights-Study.
54. Sweney, M. (2012) UK advertising spending to hit £5 billion, *The Guardian* http://www.guardian.co.uk/media/2012/apr/03/uk-web-advertising-spend, 3 April.
55. Google AdWords (2006) https://adwords.google.co.uk/select/Login?sourceid=AWO&subid=UK-ET-ADS&hl-en_GB, accessed 30 April 2006.
56. Chaffey (2008) op. cit.
57. Chaffey (2008) Rise Through the Ranks, *The Marketer*, November, 51–3.
58. Kim, J. and S. J. McMillan (2008) Evaluation of Internet advertising research: a bibliometric analysis of citations from key sources, *Journal of Advertising*, 37(1), 99–112.
59. Pavlov, O. V., N. Melville and R. K. Plice (2008) Toward a sustainable email marketing infrastructure. *Journal of Business Research* 61(11), 1191–9.
60. Ellis-Chadwick and Doherty (2012) op. cit.
61. Akhtar, T. (2012) Brands search for higher level of reception, *Marketing Week*, 5 January, 18–20.
62. Doherty, N. F. and F. Ellis-Chadwick (2009) Exploring the drivers, scope and perceived success of e-commerce strategies in the UK retail sector, *European Journal of Marketing* 43(9/10), 1246–62
63. Prensky, M. (2001) Digital natives digital immigrants, *On the horizon* 9(5), 1–6.
64. http://news.yahoo.com/india-largest-social-network-sms-gupshup-expands-leadership-160250174.html.
65. Tuten and Solomon (2013) op. cit., 3.
66. Burke, R. J. and T. Weir (1975) Receiving and giving help with work and non-work related problems, *Journal of Business Administration* 6, 59–78.
67. Argyle, M. and M. Henderson (1985) *The Anatomy of Relationships and the Rules and Skills Needed to Manage Them Successfully*, London: Heinemann.
68. Amato, R. and J. Saunders (1990) Personality and social network involvement as predictors of helping behaviour in everyday life, *Social Psychology Quarterly* 53(1), 31–43.
69. Katona, Z., P. P. Zubcsek and M. Sarvary (2010) Network effects and personal influence: the diffusion of an online social network, *Journal of Marketing Research* 48(3), 425–43.
70. Kiss, J. (2011) Facebook began as a geeks hobby now it's more popular than google, *The Guardian*, 4 January, 23.
71. Miller, M. (2012) The 5 Ws of social media marketing: Industry survey & insights, Search Engine Watch, http://searchenginewatch.com/article/2166552/The-5-Ws-of-Social-Media-Marketing-Industry-Survey-Insights-Study, 9 April.
72. Tuten and Solomon (2013) op. cit., 33–41.
73. Eleftheeriou-Smith, L.-M. (2011) 17 uses cosmetics to engage with teens, http://www.marketingmagazine.co.uk/news/1103518/, 10 November.
74. Wikipedia (2112) cityvillehttp://en.wikipedia.org/wiki/CityVille.
75. Waters, R. (2011) Inflated expectations, *Financial Times*, 29 June, 24.
76. Kulkarni, A. (2012) How does Facebook make money? http://www.buzzle.com/articles/how-does-facebook-make-money.html, 9 January.
77. Phatak, O. (2012) How does Twitter make money? Buzzel.com, http://www.buzzle.com/articles/how-does-twitter-make-money.html, 15 March.
78. Bradshaw, T. (2011) Facebook set for display ad lead, *Financial Times*, 10 May, 21.
79. Tuten and Solomon (2013) op. cit. 209.
80. Hoffman, D. and T. Novak (1999) *The Growing Digital Divide: Implications for an Open Research Agenda*, eLab Owen Graduate School of Management Vanderbilt University (http://ecommerce.vanderbilt.edu/).
81. Hoffman, D. L., T. P. Novak and A. Venkatesh (2004) Has the Internet Become Indispensable?, *Communications of the ACM* 47(7), 37–42.
82. Ofcom (2005) Digital Television UK Household Penetration, www.ofcom.org.uk/media/news/2005/09/nr_20050915#content.
83. Ramesh, R. (2009) After the World's Cheapest Car, India Launches £7 Laptop, *The Guardian*, 3 February, 19.
84. Office of Communications (2005) http://www.ofcom.org.uk/.
85. Office of the Deputy Prime Minister (2005) Digital Solutions to Social Exclusion, at http://egovmonitor.com/node/3362.
86. *BBC News* (2002) Deaf Go Mobile Phone Crazy, at http://news.bbc.co.uk/1/hi/sci/tech/1808872.stm.
87. Cooper, L. (2011) Your mission is to turn spies into special agents, *Marketing Week*, 7 July, 16–19.
88. *Marketing Week* (2002) UK Consumers Have Had Enough of Spam E-Mail, 31 October, 39.

CASE 35

# Buy4Now

## Powering eCommerce Solutions

The use of the Internet as an additional sales channel offers traditional retailers opportunities to reach expanded markets while improving the efficiency of their operations.[1] Although the potential benefits of the online channel are clear, there are variations in how retailers go about creating such channels. Retailers can develop an online presence by participating in a portal,[2] by outsourcing their e-commerce function to a full-service solution provider or alternatively by developing in-house e-commerce expertise and building an online presence themselves. Whichever route is chosen, it is imperative that retailers can offer a multichannel solution (both on- and offline channels) to customers who increasingly want to shop anytime, anyplace, anywhere.[3]

Established in August 2000, Buy4Now created Ireland's first online retail portal (www.buy4now.ie) comprising leading Irish 'bricks and mortar' brands such as Superquinn, Atlantic Homecare and Arnotts. The company quickly expanded its portal services to include 20 of the country's best known retailers and over 2.5 million products. Since then the company has become Ireland's largest provider of software and services to online retailers.

The e-Commerce Solution arm of the business trades as an independent entity as the Buy4Now Technology Group (www.Buy4Now.com). The company based in Sandyford in Dublin employs 65 people, out of whom 40 work in technology development.[4] In 2010 the company announced the opening of its UK office in Hammersmith, London.[5] Buy4Now Technology Group is the company behind some of the fastest-growing and most successful e-commerce websites in Ireland and internationally. The company has a large portfolio of clients including Superquinn, 3 mobile, Roche Bros (USA), Arnotts, Woodies, Elverys Sports and RTE.

Buy4Now Technology Group provides retailers with the platform and tools needed to optimize their online business, and meet the ever-changing market requirements and expectations of the online shopping community. The group offers a combination of experienced retail consultancy with carefully chosen best-of-breed features and a powerful software as a service (SaaS) platform. The Buy4now eCommerce Suite is an offering capable of blending creativity with a functionally rich e-commerce platform which can provide retailers with all the tools necessary for a successful online business.

Buy4Now has invested millions of euros into developing this product suite, which covers all aspects of the online experience, from placing the order right through to picking and delivering, reporting, marketing and content management. In effect the Buy4Now Technology Group provides a 'one-stop shop' approach which, they suggest, takes away the pain of online retail and empowers the retailer to focus on the elements that make the difference to their business and their customers. The company is a lot more than merely a software provider, and the Buy4Now Technology Group provides a full range of services including marketing, hosting, consultancy, product database creation and a help desk for customers. The group specialises in complete end-to-end e-commerce solutions and the company is now selling 'solutions not software'[6] to the retailer.

In 2010 the Buy4Now Technology Group was contracted by Carphone Warehouse to redesign, redevelop and provide new e-commerce services for its new online store. The technology deployed offers customers of the nationwide chain a high-end, online store. The site is user friendly, interactive and gives customers another channel to communicate with, and purchase from, Carphone Warehouse. Peter Scott from Carphone Warehouse said that Carphone Warehouse was looking for 'a personalized, modern and effective e-commerce solution and the

Buy4Now software as a service is the right fit'. Speaking on the redevelopment contract, Michael Veale, CEO Buy4Now Technology Group, described Carphone Warehouse as 'a fast-moving company that requires excellent e-commerce solutions to deliver to their customers and open up new sales channels in the online market'.[7]

Later the same year the group secured a contract to design, develop and host a solution for Pamela Scott, Ireland's leading ladies fashion retailer. 'Pamela Scott realises the importance of a strong online offering going forward. As part of our multichannel offering, the site will drive sales online and in store. It will enable us to bring our excellent range and offerings to a wider audience both in Ireland and internationally,' said Robert Barron, Director of Pamela Scott.[8]

In August 2010 Buy4Now Technology Group also designed, developed and deployed a new site for Roche Bros., based on the latest Buy4Now Technology Group eGrocery software. Roche Bros. is an up-market Boston (USA)-based supermarket chain. Roche Bros. offers approximately 16,000 products to the online shopper. This large product assortment offers Bostonian online shoppers even more reason to engage with Roche Bros or to switch their grocery allegiance away from competitors.

3, the mobile network operator, is also a client of the group having selected Buy4Now as a company that could uniquely provide a complete end-to-end e-commerce solution. For 3, Buy4Now also provides additional managed services, which effectively means that all three ways a consumer may use to purchase a 3 mobile package—retail outlets, telesales and online/e-commerce channels—utilise Buy4Now software and services.

Arnotts' e-commerce solution is also powered by the Buy4Now Technology Group. Arnotts is Ireland's oldest and largest department store. With a retail area of 300,000 square feet it ranks in the top five stores in Britain and Ireland, alongside such icons of international retailing as Harrods and Selfridges. The full Buy4Now Technology Group software suite was installed into Arnotts, which enabled the company to pick, pack and process orders as efficiently as possible. With no requirement to hold stock in a warehouse facility, the Internet operations could be managed and maintained with minimum staffing and space requirements. The in-store solution allowed Arnotts to develop its online business utilizing existing resources and stock and thus minimizing the store's initial investment. Launched in 2009, the new site developed by Buy4Now Technology Group provides customers with a real multi-channel experience. Arnotts' aim is to provide the majority of its products online to help consumers to shop with them.[9] The technology deployed generated 100 per cent online revenue growth at the department store in its first year.[10]

In February 2011 Irish pet and equestrian retailer Equipet entered into contracts with the Buy4Now Technology Group to develop a complete e-commerce solution to enhance its customer and product offering. Equipet plans to take its bricks and mortar retailing to a whole new level with the new e-commerce and online marketing operation. Equipet has three physical premises within the Irish marketplace. The Buy4Now Technology Group designed and developed an e-commerce store in a complete solution contract that includes email marketing campaigns, content management, customer service, essential support and services, helpdesk and logistics. Equipet also joined the online shopping centre. Micheal Veale, CEO Buy4Now Technology Group, stated that the company will 'provide a complete multi-channel offer to Equipet' with a site that allows customers 'no matter where they are geographically, to shop for equestrian and pet products'.[11]

## References


1 Xia, Y. and Zhang, Peter G. (2010) The Impact of the Online Channel on Retailers' Performances: An Empirical Evaluation, *Decision Sciences* 41(3), 517–45.

2 A portal is effectively an online shopping centre gathering together a number of retailers under one umbrella site.

3 Bagge, D. (2007) Viewpoint; Multi-channel Retailing the Route to Customer Focus, *European Retail Digest*, 57–70.

4 Buy4Now expanding its IT workforce (2010) 11 February. Access via www.businessandleadership.com

5 Expansion into the UK, *Buy4Now Technology Group Press Release*, 20 April 2010. Access via www.Buy4Now.com.

6 Presentation by Kevin Murray, Finance Director, Buy4Now Technology Group in DIT (www.dit.ie) College of Business, 26 January 2010.

7 Buy4Now Technology Group to Redevelop Carphone Warehouse Online (2010), *Buy4Now Technology Group Press Release*, 28 April 2010. Access via www.Buy4Now.com.

8 Buy4Now Technology Group Secures Pamela Scott Contract for Online Store (2010), *Buy4Now Technology Group Press Release*, 12 March 2010. Access via www.Buy4Now.com.

9 Arnotts' e-commerce success: Retailer scores with Buy4Now Solution (2011), access via http://techcentral.ie. Accessed June 2011.

10 Buy4Now Expanding its IT workforce (2010), 1 February. http://www.businessandandleadership.com

11 Retailer Equipet outsources e-commerce to Buy4Now, 1 February 2011. http://www.bizstartup.ie.


Note: Unattributed case information is sourced from www.Buy4Now.com.

## Questions

1. **What attracts people to buy online? What are the likely perceived drawbacks of buying online?**
2. **What are the benefits to the retailer of having an online presence?**
3. **What are the benefits to the retailer of outsourcing their e-commerce function? What are the drawbacks of such an approach to e-commerce development?**
4. **Why do retailers need to provide multichannel solutions for customers?**

This case was prepared by Roisin Vise (Researcher), Aileen Kennedy (Lecturer) and Joseph Coughlan (Lecturer), College of Business, Dublin Institute of Technology.

CASE 36

# Google Has all the Answers?

Google helps the world to answer questions and solve problems by using its search engine, and now also offers a host of other virtual services. This case looks at how Google has created competitive advantage by using virtual information to create a new genre of advertising: search engine marketing.

Graduate students Larry Page and Sergey Brin began developing their search technology in 1996, and Google.com was launched in September 1998. By 2012 the company had grown rapidly and Google has become a global success of the digital age with a market value of over 200 billion dollars. Its rapid rise to being 'the world's biggest and best-loved search engine' can in part be attributed to the smart algorithms (mathematical instructions that computers can understand) devised by Larry and Sergey. But equally important is the value proposition (the benefits to the user) the search engine provides. Google enables its users to find relevant information quickly and easily, and delivers search results in an uncluttered format, which improves usability and increases user enjoyment online. However, in return, users of the search engine provide valuable information about their interests, lifestyles and behaviour. Indeed, Google gathers information every step of the way from when we search and browse the Web, to sending and receiving Gmail communications, to using maps to find directions. By gathering this data from its users Google is able to sell highly targeted advertising space.

In 2012 Google made some changes to make it easier for users to sign up for its additional services (e.g. Google Plus) but the company came under attack from the European Minister of Justice. Questions were raised about security of data and personal privacy because the new joining process means that Google can pool data about signed-up users across over 60 different services including Google search, YouTube, Gmail, maps, Web browsing and Blogger.

## Google Technology

Google has developed sophisticated IT resources that offer distinctively better functionality and services than its competitors, and part of the company's success comes from its network of data centres based around Santa Clara, USA. It uses thousands of computer servers to provide a search capacity much greater than its competitors.

Google's search principle is straightforward: by focusing on page rankings rather than just indexing contents, the search engine is able to provide more relevant search results than its competitors (e.g. Yahoo!, AltaVista, Excite). Search tools crawl the Web, checking the content of pages without needing to understand the meaning of the content. As a result, such 'web crawlers' are unable to differentiate between relevant and irrelevant web pages when delivering search results. However, adopting a rank-ordering system, logging pages according to the number of links from other Web pages and the structure of these connections, has enabled Google to develop a quasi-intelligent search tool. To assist the ranking process, Google also checks font sizes, whether a word appears in the page title, the position on the page in which a word appears, and a range of other page characteristics, in order to give an indication of the significance of the search term within a given page.

By making creative use of information technology resources to enhance the capabilities of its search engine, Google created a search service that was quickly perceived by its users as superior to the competition. The Google brand differentiated itself from the competition by introducing the customer benefit of 'relevance' to online searching. The business continued to grow as consumers and business users increasingly turned to the Internet as a primary source of information (searching is the second most common function of the web).

In addition to its effective and efficient use of technology resources and capabilities, Google's strong market position was supported by its financial success. This was generated by the application of an e-business model that provided free-to-user search services, highly targeted and yet discreet advertising and licensing the search technology to third parties (Google currently provides search services for a number of leading search engines). It should be noted that Google continues to generate the majority of its income from advertising. Advertisers pay per click for referrals to their web pages via the Google interface using AdWords, which are search terms chosen by the advertisers and paid for at a rate determined by the popularity of the term. The cost per click varies according to the level of competition from advertisers for a particular keyword.

## Competitive markets

Larry and Sergey had a good idea and implemented it in a manner that enabled the company to differentiate itself from the competition, while protecting itself by raising market entry barriers through innovative applications of its resources and capabilities. However, the marketplace is constantly changing as technologies advance and new entrants join the market. Google has responded by diversifying and providing niche search services—news, maps, alerts, blogs, videos for specific target audiences; Scholar (for academics) and Mobile (for remote users)—and the company continues to explore how new technologies can be used to provide innovative search services and products.

Google has also entered new markets:

- web browsers—Chrome, Google's first attempt at developing a Web browser, was released in September 2008; the browser is designed to be more robust than Internet Explorer, but is said not to be a threat to its Microsoft rival at the moment
- email—Gmail (Google email), a free email service, became available to the general public in 2007 and has become very popular, with over 100 million users worldwide
- mobile Internet—Google's Android phone allows owners to call their friends, surf the web and find their way around with the built-in compass as they, say, search for a restaurant or entertainment venue; the Google phone has taken market share from Apple by offering more functionality at more affordable prices.
- social media—in 2011 Google+ was introduced as a social network linking with Gmail, YouTube and Google search.

Since it was established, Google has used technology resources creatively and, in so doing, has developed superior technology-based capabilities that have enabled the company to become financially successful and stay ahead of the competition. In terms of the search market the nearest rival is Baidu with just 11.9 per cent of the market compared to Google's 75.5 per cent of desktop searches. And when it comes to mobile searching Google's share rises to 88.4 per cent, with Yahoo! accounting for just 6.6 per cent. However, in the browser markets the tables are turned. Google has just 18.9 per cent market share with its Chrome browser compared to Firefox with 20.9 per cent and Microsoft Internet Explorer's 52.9 per cent. Furthermore, Google has been challenged by Facebook and Twitter and Google+ is the company's attempt to make up lost ground. Facebook has over 900 million users, whereas Google+ has around 170 million. One of the potential advantages is that users can link across YouTube and Gmail. Bradley Horowitz, Product vice president at Google, says that introducing friction into the system, which allows sharing across applications and with external services is a unique force, which means that we are likely to see more and more apps, especially mobile ones, being developed.

## References

Based on: Barney, J. B. (1991) From Resources and Sustained Competitive Advantage, *Journal of Management* 17(1), 99–120; Naughton, J. (2002) Web Masters, *Observer*, 15 December, 27; Vogelstein, F. (2002) Looking for a Dotcom Winner? Search no Further, *Fortune* 145(11), 65–8; McHugh, J. (2003) Google vs Evil, *Wired* 11(1), 130–5; Hitwise (2006) http://www.hitwise.com/news/us200508.html (accessed May 2006); Rose, F. (2006) Are You Ready for Googlevision?, *Wired* 14(5), at www.wired.com/wired/archive/14.05/google_pr.html; Brit, B. (2005) Google Moves Beyond Search, *Marketing*, September, 19.

## Questions

1. **How does Google differentiate itself from the competition and, in doing so, create competitive advantage?**
2. **Discuss whether Google will remain as market leader in the search engine market for the next decade.**
3. **Google established its position in the marketplace as a search engine and this enabled the company to earn significant revenues from advertising. Facebook, however, is the leading social media network, which has avoided looking to advertising as a source of revenue, but now this has changed. Suggest to what extent Facebook is likely to overtake Google in terms of advertising revenue.**

This case was written by Fiona Ellis-Chadwick, Senior Lecturer in Marketing, The Open University.