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The Transition to Digital Marketing

What It Means

Since the advent of the World Wide Web in the 1990s, eCommerce has grown exponentially. Now more than ever consumers are using the Internet to shop online. Even while shopping in traditional brick and mortar stores, consumers use their cell phones to conduct product research and check product reviews. Marketing messages must be online to reach today's digital consumers.

This does not mean, however, that marketers should rely on digital marketing alone. Newspapers were once the only way to get news, then along came audio news on the radio, and then visual news on the television. While television lessened the importance of its predecessors, radio and print media are still alive and they play an important role in marketing communications. An integrated, or hybrid, approach is recommended to achieve the best marketing mix and reach the most prospective customers.

Why It Matters

- Consumers use both online and brick and mortar tools in their buying decisions
- Online connectivity and customer advocacy are major factors in digital marketing
- Digital consumers trust customer feedback more than messages from marketers

> "Marketing 4.0 is a marketing approach that combines online and offline interaction between companies and customers."
>
> Kotler, Kartajaya & Setiawan

Traditional Marketing

In traditional marketing, marketing messages and branding are designed for specific target audiences. Marketing starts with segmentation – the longstanding marketing practice of dividing the market into groups, based on geographic, demographic, psychographic, and behavioral characteristics. Once the research is completed, the marketer uses a marketing mix of Product, Price, Promotion, and Place (The 4Ps) to reach their target audience.

The Traditional Marketing Mix: The 4Ps

Product

A "product" can either be a tangible product or a service that meets the need or want of one or more customer segments. All products have a life cycle, from introduction through growth to maturity, then finally to decline. How you market your product depends on where it is in its lifecycle. When a product is first launched, marketers employ campaigns to educate the market and raise awareness. As sales grow, more competition comes on the scene, causing marketers to use competitive tactics that entice customers to choose their product over others. As a product matures, marketers use tactics to remind the market about their particular product, and soon the company begins to introduce new and improved versions.

Price

Price is set based on a variety of pricing methods. Some pricing strategies include cost plus, competitive pricing, and value pricing. Value pricing is where companies price their products depending upon how customers perceive the value of the product. The price of a product can change as it grows through its lifecycle.

Promotion

Promotions are communications that promote your brand to customers. This includes sales promotions, advertising, and public relations. Many of the tactics deployed in traditional promotions use print such as newspapers and magazines, broadcast media such as radio and television, direct mail, telemarketing, and outdoor marketing such as billboards.

Place

Place is where customers can find your products. Place traditionally means distribution channels. Depending on whether your product is a B2B (Business to Business) or B2C (Business to Consumer), your distribution channels will vary. Regardless, place is where transactions take place and how customers access your product or service.

The Transition to Digital Marketing

In the modern marketplace, while traditional channels are still in use, marketers predominantly focus on digital channels, such as online ads, social media, websites and online communities. Kotler posits that, in today's marketplace, online communities are the new "segments" for marketing purposes. In the past, marketing professionals defined their own target groups through research and segmentation. Nowadays, *consumers* themselves form the groups, with membership based on shared interests and goals.

As a result of the digital environment the role of marketers has changed dramatically. To interact with an existing online community, marketers must, in effect, seek permission from the group's members. The meaning of "permission marketing" in an online context is explored by both Godin and Kotler et al., as shown in the excerpt below:

> *Permission marketing, introduced by Seth Godin, revolves around this idea of asking for customers' consent prior to delivering marketing messages. However, when asking for permission, brands must act as friends with sincere desires to help, not hunters with bait. Similar to Facebook, customers will have the decision to either "confirm" or "ignore" the friend requests.* (Kotler et al., *Marketing 4.0*)
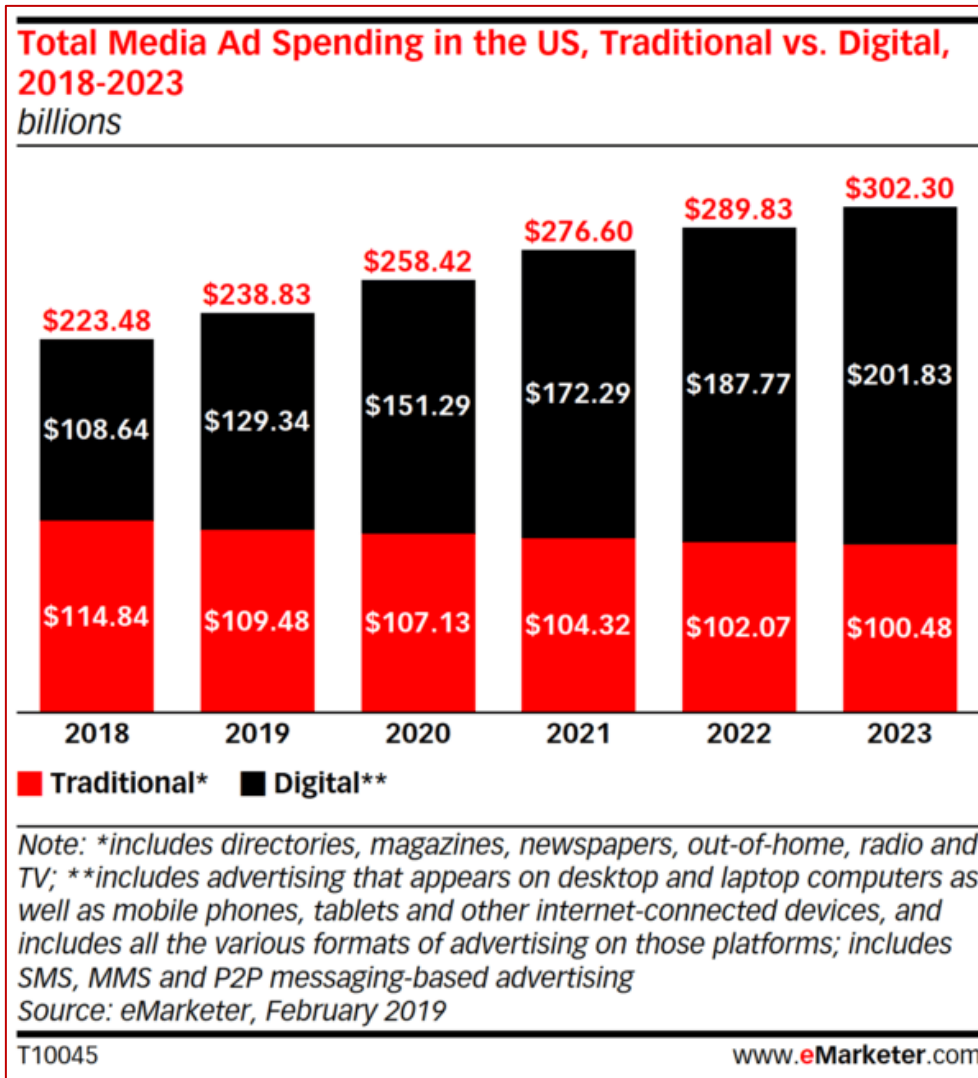
Marketers have a very different relationship with their target audience than in the past. They do not control the original composition of the communities that form their target audience. To engage with any online community, marketers must appeal to the needs and core values of the members. They must create a positive connection between the brand and consumers that will persist and grow over time, to foster brand loyalty and build a group of customer advocates.

Kotler posits that there are three segments that are the most influential in the digital economy. These are youth, women, and netizens (YMN). Youth set trends and are often the first to try new products and services and become the early adopters, which is why marketers spend much time and effort targeting millennials. In many cultures, women are the primary decision makers when it comes to making purchases, so marketers focus on providing women with the content they use to research products and services online. Netizens are more likely to write online content and reviews, so it is important for marketers to interact with them online.

Digital Marketing

In the United States, digital ad spending has now surpassed traditional ad spending, according to eMarketer. This trend is shown on the chart below, along with some future projections.

Total Media Ad Spending in the US, Traditional vs. Digital, 2018-2023
billions

Year	Digital**	Traditional*	Total
2018	$108.64	$114.84	$223.48
2019	$129.34	$109.48	$238.83
2020	$151.29	$107.13	$258.42
2021	$172.29	$104.32	$276.60
2022	$187.77	$102.07	$289.83
2023	$201.83	$100.48	$302.30

■ Traditional*   ■ Digital**

*Note: *includes directories, magazines, newspapers, out-of-home, radio and TV; **includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; includes SMS, MMS and P2P messaging-based advertising*
Source: eMarketer, February 2019

T10045   www.**eMarketer**.com

Forms of Digital Marketing

Website

Since the rise of the Internet and the World Wide Web in the 1990s, having a professional website has become table stakes, or a "must have", for modern businesses.

Search Engine Optimization (SEO)

SEO means to optimize your site so that you improve your rank in the results when a customer does a search, meaning that your brand will appear higher in the list. Google accounts for nearly 90% of searches done online. Marketers can find a SEO starter guide on Google to learn ways to optimize their results.

Content Marketing

Content marketing is a form of marketing focused on creating and distributing relevant online content that is tailored or curated to the right audiences. Content marketing is educational and provides your customers and prospects with information and thought leadership that they should find valuable.

Email Marketing

Email marketing is a direct appeal to a list of customers or prospects. Email marketing messages should include calls to action with links to offer pages. Since more people use email than any other digital platform, this is a very important aspect of brand promotion.

Social Media Marketing (SMM)

SMM uses Social Media Platforms to connect with consumers in an interactive online environment. Popular SMMs include Facebook, Instagram, LinkedIn, Twitter, YouTube, and Pinterest. SMM differs from other digital marketing methods, in that it provides a mechanism for consumers to engage with brands and with each other directly, in the form of online communities. The 'universe' is a term that pertains to the size, or number of users, of the platform for a particular target audience.

The 4 Cs

Kotler posits that, in the digital age, in addition to the 4Ps of traditional marketing, companies should now also consider using the 4Cs, which are explained below.

Co-creation

Co-creation allows consumers to participate in product development, using social media platforms to interact with the company. Co-creation also allows buyers to customize or personalize existing offerings.

Currency

The concept of pricing in the digital age allows for companies to use dynamic pricing that

will vary based upon demand.

Communal Activation

Social media platforms enables the creation of interactive online communities; brands should take full advantage of these communal environments in a proactive way.

Conversation

Social media platforms enable members of these online communities to have conversations directly with brands and with each other.

Integrating Traditional and Digital Marketing

While digital marketing tactics need to be deployed at all stages of the product's lifecycle, marketers should use traditional tactics too, to optimize their hybrid marketing mix. The more places that your target audience positively interacts with your brand, the more likely they are to purchase your products. By integrating both digital and traditional tactics into your marketing campaign, you have a high likelihood of getting your products in front of the right audiences at the right time. As Kotler states, digital marketing is not meant to completely replace traditional marketing; the two should coexist across the product lifecycle and the buyer journey.

Looking Ahead

In this lecture, we reviewed the differences between traditional and digital marketing and examined the implications of the online business environment for marketers. We learned about the traditional marketing mix and digital marketing tactics and discussed the need to find the right mix of traditional and digital marketing tactics, so as to reach the right target audiences at the right time and optimize the way customers interact with your brand.

The next lecture shifts back to the buyer's perspective, building on your understanding of contemporary customers to explore appropriate campaign strategies for the digital marketplace. We will examine a new way of thinking about the Buyer Journey in the digital age, based on a model called the **Five A's** framework, created by Kotler et al. We will explore how marketers can harness the power of online connectivity to engage digital customers – first as buyers, and then as brand advocates. In addition, we will study how the most successful modern brands use personas with familiar human attributes to connect with online customers.

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