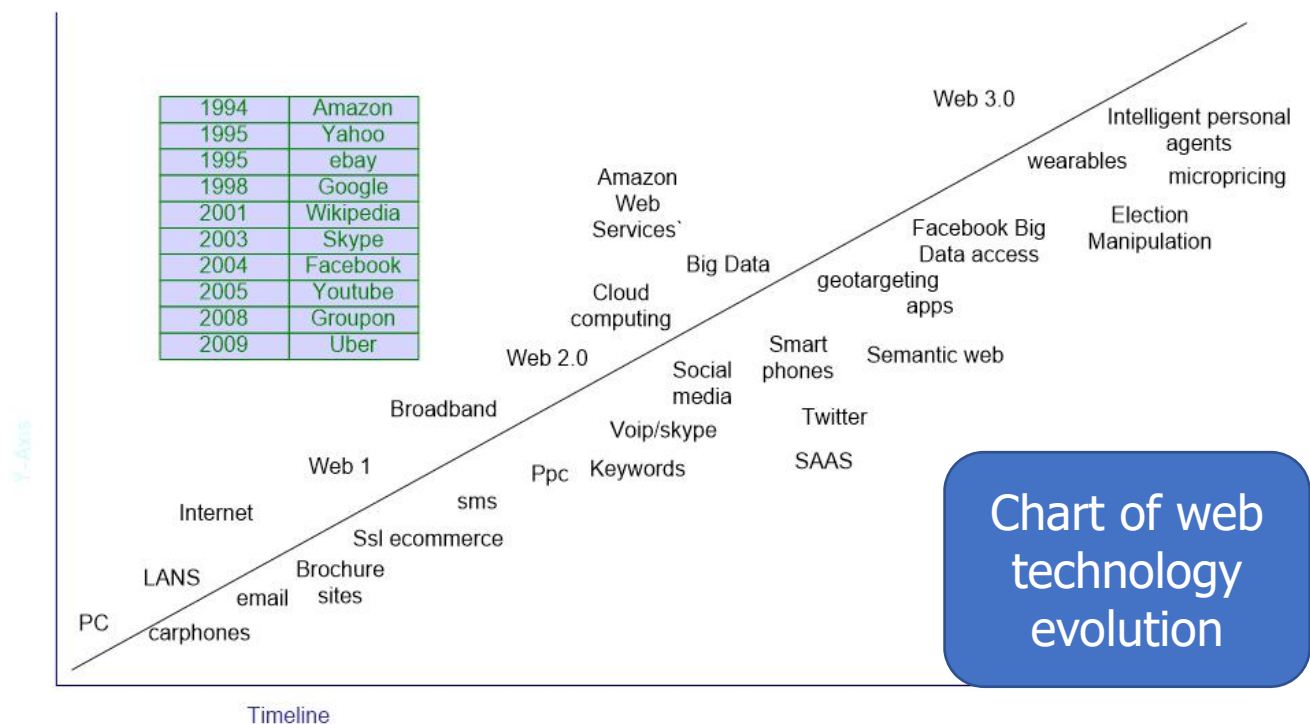


# What IS digital marketing?

To answer this question, we need to think about

1. What marketing is – what are its core ideas and tenets.
2. What digital technologies there are and how they affect the underlying structure
3. What are the implications of always-on, real time data and geo tracking for offers and context of use

As you can see the chart illustrates the various incarnations of digital marketing from single PCs accessing a network of computers via FTP through the emergence of email, websites and e-commerce, the explosion of user created content as Web 2.0 towards the semantic web, machine learning and the eventual development of intelligent agents.



## What is Marketing

But let's go back to first principles – what ARE the key tenets of marketing – or indeed the essence of business itself.

Business is basically about the exchange of values between a willing buyer and a willing seller. Marketing is anything that helps that process. It could be co-creation of products, promotion of products we already have, creating markets and supplying finance. Or simply organising that the goods are in the right place at the right time with the right price for a customer who's prepared to get value from using it.

So, what passes for the theory of marketing consists of a set of principles and models to help prospective sellers get their goods accepted more easily. We could list them like this.

- The concepts of value and exchange and what motivates people to buy
- The external environment – research using PESTLE and SWOT to create a strategy.
- The Segmentation, Target Market and Positioning process in creating strategy
- 4 Ps and 7 Ps - Product, Price, Promotion and Place Plus Proof Physical Processes and People
- Conceptual tools like the Boston Matrix, the Ansoff matrix and the product adoption curve and porter's five forces.
- The idea that you develop a Strategy to get your products in front of the customer more advantageously than the competition and the idea that this strategy drives a Marketing and communications mix – a tactical marketing plan if you will.

## **Why and how do people buy?**

These ideas are embedded in a series of ideas about why people buy. Most of these are quasi rational / based on common sense. A selection of currently fashionable ones is presented here.

- Models of customer needs
  - Discusses must have vs nice to have characteristics of the product. Also considers asymmetries in attractiveness – what things attract which repel.
- Decision making models
  - Need recognition, Information Search, Product Evaluation, Choice, Post Purchase
- Customer engagement cycle models
  - Connection, interaction, satisfaction, retention, commitment, advocacy, engagement
- Technology Acceptance Model
  - It's a theory of reasoned action. People must accept the technology before they will buy through it.

Of course, these models assume that people buy rationally – the science and ideas of neuromarketing suggest otherwise

In fact, the whole contribution of neuromarketing to our understanding of decision making has been vast. So much of brand attractiveness – particularly on line – happens subliminally and although some of it can be interpreted rationally – e.g. typos and missing links being construed as evidence of unreliability – much more of it is impressionistic. For more about NeuroMarketing see Buy-ology by Martin Lindstrom.

The great thing about the kind of behavioural measurements that can be made within the context of data science is that we can observe and measure what people actually do and what effect this has on sales or other engagement rather than asking them for their opinions about the motivations of their own behaviour – which they may well be unable to answer satisfactorily. As well as asking them if they found what they wanted and would they recommend us we can observe what they look at and at what point they fall out of the sales funnel.

From a practical point of view the kinds of issues that customers find important can be summarised in the following table which comes from some work we carried out on why a customer prefers to use one site rather than another.

Tangible benefits	Site Reliability	Responsiveness	Assurance and empathy
<ul style="list-style-type: none"> <li>• Ease of use</li> <li>• Service quality</li> <li>• Content quality</li> <li>• Price</li> </ul>	<ul style="list-style-type: none"> <li>• Availability</li> <li>• Bug -free</li> <li>• Mobile Friendly</li> <li>• Support Tools</li> </ul>	<ul style="list-style-type: none"> <li>• Fast Download speed</li> <li>• E-mail /Callback / Chat</li> <li>• Timely help availability</li> <li>• Quick Fulfilment</li> <li>• Easy access to a human</li> </ul>	<ul style="list-style-type: none"> <li>• Human contact</li> <li>• Personalised support</li> <li>• Privacy</li> <li>• Security</li> <li>• Knowledge of company and people behind it</li> <li>• Testimonials / references / social proof</li> </ul>

I hope you can see that these fall into categories such as

- Is this a good offer?
- Does the site work efficiently?
- Are mechanisms in place to deliver and support my order
- Can I get hold of them?
- Do they have a good reputation – do they seem to do what they say

These are the issues that need to be dealt with and increasingly the task of the marketer is to use what machine learning and artificial intelligence tools that are available to automate as much of this reassurance process is practical.

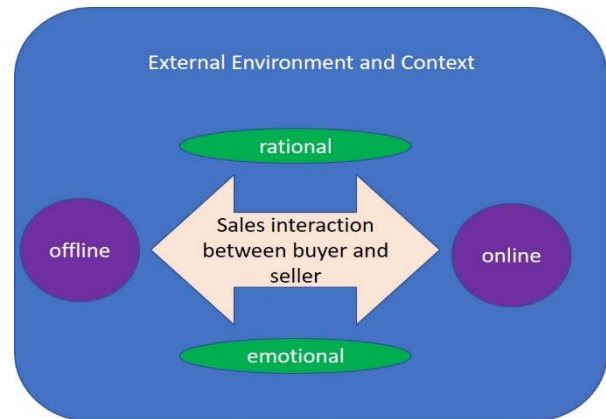
Always bearing in mind that people like to be dealt with fairly and to get hold of you easily if things have gone wrong.

Hiding behind obscure Ts & Cs and making it deliberately hard to reach you does you no favours with the customers.

## Managing the Marketing Mix

So, managing the marketing mix in practice means

- Creating powerful narratives and telling them often enough in the right places to the right people to generate the results you need.
- Balancing on line and real-world activity
- Building the brand, generating leads and supporting customer retention
- Creating Brand Value is key because it delivers organic search and additional shareholder value by providing income additional to what is delivered simply by “mechanical” marketing in which you do so much advertising to secure so much revenue.
- Creating frictionless purchase and delivery channels
- Finding ways to add value, context and additional brand building via real time interactions analysed via using data science techniques on big data



A key challenge is recognising that service, Business to Business and Small company marketing are not much like selling Fast Moving Consumer Goods.

## How has Digital Marketing Changed the way we do things?

Those of us who are old enough remember a landscape when all mailshots were physical, when email didn't exist, when there were no websites. This was only 25 years ago!

The traditional tool kit looked like this. It was essentially push marketing – there was almost no mechanism or channel for dialogue with the customer other than via conventional sales or market research.

- Brochures, postcards and fliers
- Direct Mail
- PR
- Print and outdoor advertising
- Outbound telemarketing
- Seminars and workshops
- Exhibitions and conferences

This looks very different from today's multiway approach which represents a mixture of push and pull techniques and has added the following

- Inbound marketing
- CRM
- Pay per click
- Email marketing
- Social Media
- Mobile

These developments allow data mining of real time information and the provision of increased service wraps to purchases of goods and services. In parallel we have a fragmentation of the customer journey as they go back and forth between on line and off-line modalities. This has led to concepts like showrooming (researching in the showroom and buying on line) webrooming (researching on line and buying in the store), click and collect etc.

So, a significant chunk of Google analytics is focused on trying to understand which patterns are most common.

Other side effects have been the effective collapse of transaction costs (they are now less than 1/10 of the cost in the pre- web era), the freedom of information about offers and the collapse of the cost of copying and sharing information.

It's interesting to consider what precisely were the tools that changed the game. These were, in approximate order of appearance the following.

- Email
- Web sites and – ecommerce engines via secure socket layer
- Broadband – always on – VPNs
- Messaging and VOIP – Skype etc
- Targeted PPC advertising – google, overture, Facebook
- Social media and Web 2.0 – Conversation, aggregation and collaboration
- Mobile and geo-targeting
- Big Data and retargeting

After being to transact at all online via email and websites and to drive traffic to sites via pay per click, the major game changers from a data science perspective were

- Broadband – always on and we know what you're doing
- Mobile – we know where you are
- Web 2.0 and social media – we know what you like and what you're saying
- The ability to aggregate and segment people by their preferences and target them selectively – the foundation of the Brexit and Trump campaigns.

Effectively, then, digital has meant that

- Communication has gone from being one way to two way to multiway.
- Messages have gone from being universal to segmented to individual
- Products have gone from generic to segmented to mass customised to individual
- Markets have gone from one-way to two-way to multi-way. Google/Amazon/eBay
- It's always on
- It knows where we are
- It knows our digital history
- It has reduced attention span and promotes immediacy
- It has severely impacted privacy.

## What this means in practice.

Digital Technologies support marketing by

- *Identifying* – the Internet can be used for marketing research to find out customers' needs and wants – this can either be done manually or automated via data science techniques
- *Anticipating* – the Internet provides an additional channel by which customers can access information and make purchases – evaluating this demand is key to governing resource allocation to e-marketing.
- *Satisfying* – a key success factor in e-marketing is achieving customer satisfaction through the electronic channel, which raises issues such as: is the site easy to use, does it perform adequately, what is the standard of associated customer service and how are physical products dispatched?

## Summary

So to summarise Companies need to

- Understand customers' expectations
- Make clear service promises
- Deliver on those promises

And to make use of the tools of the web and data science to do so.

## Reference Books

Neuromarketing – Buyology – Martin Lindstrom

Creating offers – Paradox of Choice – Barry Schwartz

Building Credibility – Influence – Science and Practice – Robert Cialdini

Marketing with Smart Machines – Alexander Borek and Joerg Renold

Textbooks on Marketing – Digital Marketing – Dave Chaffey and

Managing Marketing in the 21<sup>st</sup> Century – Noel Capon

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