Lecture 8

Digital Marketing

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Introduction

Digital Marketing Plan – will help define specific marketing objectives and develop strategies to take advantage of marketing opportunities provided by the internet, and counter any threats.

Digital Marketing – focuses on how a company use its website with other digital platforms and media e.g. mobile sites and apps, search and social media and email marketing to interact with audiences to add value to the brand and meet its marketing goals.

3 Main Operational Processes involved in Digital Marketing

1. **Customer Acquisition** – attracting visitors to website or reaching customers via search engines.
2. **Customer Conversion** – Engage site visitors to achieve outcomes the site owner seeks such as leads, or sales.
3. **Customer Retention & Growth** – Encouraging repeat use of digital channels and repeat sales

The Operational and Management Processes of Digital Marketing

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The Content Marketing Matrix

Figure 7.4 Content Marketing Matrix
Source: Smart Insights (2012)

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The Digital Marketing Plan in the context of other plans

Digital Marketing – 'achieving marketing objectives through applying digital technologies and media' (Chaffey & Ellis Chadwick, 2016)

The results delivered by technology should determine investment in digital marketing, not adopting the technology.

Inbound Marketing – Consumer is actively seeking out information for their needs and interaction with brands are attracted through content, search and social media marketing.

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Figure 7.2 The digital marketing plan in the context of other plans

Content Marketing – Success in inbound marketing depends on great content to attract visitors to a site and then engage them. When engaging content is shared this encourages visitors to a site

Content Management aspects that need to be planned and managed

- **Content Engagement Value** – which types of content will engage the audience e.g product/ service information, guide to buying product, a game to engage your audience.
- **Content Media** – Plain text, rich media, mobile apps, podcasts, hosted and streamed video, ebooks and pdfs
- **Content Syndication** – content can be syndicated to different sites through feeds, or direct submission by email. It can be embedded in sites through widgets
- **Content Participation** – Content should enable commenting, ratings and reviews. Need to managed and monitored in original location and elsewhere
- **Content Access Platform** – Different Digital Access Platforms such as desktops and laptops of different screen resolution and mobile devices.

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Digital Marketing Plan

Digital Marketing Plan - This is a plan to achieve the marketing objectives of a digital marketing strategy

A digital marketing plan is needed as well as a broader digital business strategy.

Digital Business Strategy – details how sell side objectives of digital business will be achieved through marketing activities e.g., research and communications.

Digital Marketing Plan – also based on objectives of marketing strategy – so there is overlap between elements of each approach e.g. environmental analysis, objective setting and strategic analysis

Strategy Model for Digital Marketing Planning- **SOSTAC framework** developed by Paul Smith (1999) – summarizes stages that should be involved in marketing strategy development & implementation

Figure 7.5

PR Smith's SOSTAC® Planning Framework www.SOSTAC.org
Source: Smith, P.R. (2018) SOSTAC® Guide to your Perfect Digital Marketing Plan, published by PR Smith Marketing Ltd. www.PRSmith.org. More information on PR Smith's SOSTAC® visit www.SOSTAC.org

SOSTAC Framework

Situation – where are we now?

Objectives – Where do we want to be?

Strategy – How Do we get there?

Tactics – How exactly do we get there?

Action – What is out plan?

Control – Did we get there?

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Absence of Digital Marketing Planning – Issues That Occur

When there is an absence of clear planning or control for digital marketing the following problems occur:

- **Customer Demand** for Online Services will be **underestimated**
- Existing & Start Up **Competitors would gain market share** if insufficient resources dedicated to digital marketing
- **Duplication of resources e**.g., different parts of marketing organisation using different agencies for similar online tasks
- **Lack of specialist digital marketing skills** due to insufficient resources devoted to developing them, making it harder to respond to competitor threats.
- **Insufficient customer data** collected online as part of relationship building and date not integrated with existing systems.
- **Efficiencies** available through online marketing **will be missed** e.g., lower communications costs & enhanced conversion rates in customer acquisition and retention campaigns.
- **Opportunities** for apply online marketing tools e.g. search marketing or email marketing **will be missed**
- **Changes needed in internal IT** systems by different groups **will not be prioritized**.
- **Results of online marketing are not tracked adequately** on a detailed or high level basis
- **Senior management support of digital marketing is inadequate** to drive what often should be strategic.

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SOSTAC Model – Situational Analysis

Environmental Analysis and review of internal processes and resources

Aim of situational analysis – understand current & future environment in which the company operates.

Microenvironment – customers, competitors, suppliers, intermediaries

Macro environment – social, legal, political, economic, technological, environmental

Internal audit – People, Processes and technology and the capabilities of these resources

Analysis of the above will inform defining objectives, strategies and tactics

Figure 7.6 Inputs to the digital marketing plan from situation analysis

Demand Analysis for Digital Business – Assessment of the demand for e-commerce services among existing and potential customer segments.
Demand Analysis – examines current and projected customer use of each digital channel and different services within different target markets.

Can be determined by asking for each market

- What % of customer businesses have access to the Internet
- What % of members of the buying unit in these businesses have access to the Internet.
- What % of customers are prepared to purchase your product online.
- What % are not prepared to buy online but are influenced by digital information to buy products offline.
- What is the popularity of different online engagement devices e.g., blogs, communities and video.
- Barriers to adoption among customers of different channels and how we can we encourage adoption

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SWOT/ TOWS TO DEVELOP STRATEGIC ALTERNATIVES

The organisation	Strengths – S 1 Existing brand 2 Existing customer base 3 Existing distribution	Weaknesses – W 1 Brand perception 2 Intermediary use 3 Technology/skills (poor web experience) 4 Cross-channel support 5 Churn rate
Opportunities – O 1 Cross-selling 2 New markets 3 New services 4 Alliances/co-branding	SO strategies Leverage strengths to maximise opportunities = attacking strategy Examples: 1 Migrate customers to web strategy 2 Refine customer contact strategy across customer life cycle or commitment segmentation (email, web) 3 Partnership strategy (co-branding, linking) 4 Launch new web-based products or value-adding experiences, e.g. video streaming	WO strategies Counter weaknesses through exploiting opportunities = build strengths for attacking strategy Examples: 1 Countermediation strategy (create or acquire) 2 Search marketing acquisition strategy 3 Affiliate-based acquisition strategy 4 Refine customer contact strategy (email, web)
Threats – T 1 Customer choice (price) 2 New entrants 3 New competitive products 4 Channel conflicts 5 Social network	ST strategies Leverage strengths to minimise threat = defensive strategy Examples: 1 Introduce new Internet-only products 2 Add value to web services – refine OVP 3 Partner with complementary brand 4 Create own social network/customer reviews	WT strategies Counter weaknesses and threats: = build strengths for defensive strategy Examples: 1 Differential online pricing strategy 2 Acquire/create pure-play company with lower cost-base 3 Customer engagement strategy to increase conversion, average order value and lifetime value 4 Online reputation management strategy/E-PR

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Situational Analysis - Qualitative Customer Research

Persona – A summary of the characteristics, needs, motivations and environment of typical website users.

Customer Scenario – Alternative tasks or outcomes required by a visitor to a website, usually accomplished in a series of stages of different tasks with different information needs/ experiences.

Big Data – Large and complex amounts of data. Often referred to as the 3 V's : Volume, Velocity and Variety

Table 7.2 Categories of suppliers of digital customer insight and sample suppliers

Insight type	Description	Sample suppliers
Voice of customer	Customer perceptions of online and multichannel experience including advocacy and Net Promoter Score. Online reputation (buzz) management tools	www.iperceptions.com www.opinionlab.com www.foresee.com www.bazaarvoice.com
Customer profile data	Characteristics of customers in line with segments	Internal databases
Purchase behaviour	Transaction history including product category, recency, frequency and monetary value	Internal databases
Visitor behaviour from web analytics	Customer journeys on-site and referral sources. Popularity of landing pages, content and products	www.google.com/analytics www.adobe.com/solutions/digital-analytics.html www.getclicky.com www.Mixpanel.com
Audience panel data	Audience volume/reach and profile on third-party sites	www.experian.com/marketing-services/marketing-services.html www.comscore.com www.nielsen-online.com
Competitive benchmarking	Independent review of website functionality and features from independent review team or customers (mystery shoppers)	www.globalreviews.com www.psyma.com www.emysteryshopper.com
Campaign response	Combination of digital media touchpoints leading to website visits and conversion. Ad network behavioural targeting	www.conversantmedia.com www.doubleclickbygoogle.com www.lynchpin.com
Experimentation	AB and multivariate testing. On-site behavioural targeting. On-site merchandising solutions	www.maxymiser.com www.optimizely.com www.hotjar.com

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Situational Analysis - Competitor Analysis | Internal Marketing Audit

Competitor Analysis for digital business
Review of Digital Business Services offered by existing and new competitors and adoption by their customers.

Competitor Benchmarking – should be ongoing to respond to new approaches on price or promotions. Competitor Benchmarking has different perspectives that serve different purposes.

1. **Review of internal capabilities** – resourcing, structure, processes v's external customer facing features of sites
2. **Core Proposition** (products, price, promotion,) through branding to Online Value Proposition (OVP – type of web services offered, that add to the brands value)
3. **Different aspects of customer lifecycle** – From customer acquisition through conversion to retention. Competitor capabilities should be benchmarked for all digital marketing activities of each competitor. Should be assessed from the viewpoint of different customer segments or personas.
4. **Qualitative (surveys & focus groups) to Quantitative** (independent auditors of data across customer acquisition – e.g., site visitors/reach within market, cost of acquisition, no. of customers, sales volumes/ revenues and market share. ; conversion and retention (repeat conversion and no. of active customers.
5. **In Sector and Out of Sector** –Benchmarking against similar sites and reviewing more advanced sectors.
6. **Financial to Non-Financial Measures** – Company reports, tax submissions, Turnover, Profit. Elements of Balanced Scorecard (Resourcing, Innovation, Learning)
7. **From User Experience to Expert Valuation** – Actual customer reviews of usability to independent expert evaluations.

Internal Marketing Audit

Internal audit will assess the capabilities of the company, its people, processes and technology to deliver digital marketing compared with its competitors

The audit will review :

1. Business effectiveness – contribution of site to revenue, profitability, and any indications of corporate mission for the site. Costs of producing/ updating site will be reviewed
2. Marketing effectiveness – leads, sales, cost of acquiring new customers, retention, market share, brand engagement and loyalty, customer service
3. Internet Effectiveness – unique visitors, page impressions, focus groups and questionnaires.

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SOSTAC - Objective Setting

Strategies are most effective when they support specific business objectives.
Useful strategy is to present them together in a table.
Table opposite shows strategies of acquisition and conversion and the tactics used to fulfil them.

Table 7.3 The relationship objectives, strategies and performance indicators for a B2B company (in order of priority)

Objectives	Substantiation (informed by situation analysis or insight, example)	Strategies to achieve goals	Key performance indicators (critical success factors)
1 *Acquisition objective.* Acquire 50,000 new online customers this financial year at an average cost per acquisition (CPA) of £30 with an average profitability of 5%	Based on growth forecast based on current sales of 40,000 sales per year, but with incremental sales arising from new affiliate programme and SEO development	Start affiliate marketing programme and improve SEO. Existing media mix based on pay-per-click and display advertising supported by offline media	Overall CPA for online sales. Incremental number and % of sales from affiliate marketing programme Number of strategic keywords ranked in top positions in natural search results page
2 *Acquisition (or conversion) objective.* Migrate 40% of existing customers to using online 'paperless' bill payment services and email communications within three years	Extrapolation of current natural migration coupled with increased adoption from offline direct marketing campaign	Direct marketing campaign using direct mail, phone prompts and online persuasion to encourage adoption. Use of incentive to encourage change	Number and percentage of existing customers registering to use online services. Number and percentage of customers actively using online services at different points after initially registering
3 *Conversion objective.* Increase the average order value of online sales to £42 per customer	Growth estimated based on current AOV of £35 plus model suggesting 20% increase in AOV	Use of new merchandising system to show users related 'next-best product' for different product categories	% of site visitors responding to merchandising/cross-selling messages
4 *Conversion objective.* Increase site conversion rate to 3.2%	Model showing separate increase in conversion for new and existing customers based on strategies shown on the right	Combination of strategies: • Incentivised email follow-up on checkout abandonments for new customers • Introduction of more competitive pricing strategy on best sellers • AB and multivariate	Variations in conversion rates for new and existing customers in different product categories

Online Revenue Contribution
An assessment of direct contribution of the internet or other digital media to sales, expressed as a % of overall sales revenue.

Table 7.4 Example of Internet marketing objectives within the balanced scorecard framework for a transactional e-commerce site

Balanced scorecard sector	Efficiency	Effectiveness
Financial results (business value)	• Channel costs • Channel profitability	• Online contribution (direct) • Online contribution (indirect) • Profit contributed
Customer value	• Online reach (unique visitors as % of potential visitors) • Cost of acquisition or cost per sale (CPA or CPS) • Customer satisfaction ratings	• Sales and sales per customer • New customers • Online market share • Customer propensity to defect • Customer loyalty index
Operational processes	• Conversion rates • Average order value • List size and quality • Email-active %	• Fulfilment times • Support response times
Innovation and learning (people and knowledge)	• Novel approaches tested • Internal digital marketing education • Internal satisfaction ratings	• Novel approaches deployed • Performance appraisal review

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SOSTAC – Strategy

Strategy – this element of a digital marketing plan defines how digital marketing objectives will be achieved. Defining strategy must be tightly integrated into the digital marketing planning process as digital marketing planning is an iterative process from situational analysis to objective setting to strategy definition. (covered in chapter 5)

Target Marketing Strategy – Evaluation & selection of appropriate segments and the development of appropriate offers

Segmentation – Identifying different groups within a target market in order to develop different product offerings and communications for those groups

Figure 7.12 Stages in target marketing strategy development

Positioning – Influencing the customers perception of a product within the marketplace

Differential Advantage – Desirable attribute of a product offering not currently offered by competitor offerings

Online Value Proposition – statement of benefits of e-commerce services that should not be available in competitor or offline offerings.

Table 7.7 A range of targeting and segmentation approaches for a digital campaign

Targeting variable	Examples of segments and potential online targeting attributes
1 Relationship with company	New contacts (prospects), existing customers, lapsed customers
2 Demographic segmentation	B2C: Age, sex, social group, geographic location B2B: Company size, industry served, individual members of decision-making unit
3 Psychographic or attitudinal segmentation	Attitudes to risk and value when buying, e.g. early adopter, brand loyal or price conscious
4 Value	Assessment of current or historical value and future value. Valuable customers can be targeted and given special promotions as part of a VIP or customer club
5 Lifecycle stage	Position in lifecycle, related to value and behaviour, i.e. time since initial registration, number of products purchased, categories purchased in
6 Behaviour	(a) Search terms entered into search engine (Table 7.1) (b) Interests shown through content shared or liked on social networks. Companies can target users of Facebook, LinkedIn and Twitter with ads using this method (c) Responsiveness to different types of offers (promotion or product type) (d) Responsiveness to campaigns in different channels (channel preference) (e) Purchase history in product categories including recency, frequency and monetary value (Chapter 8)

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Content Strategy

Content Strategy - the management of text/ rich media/ audio/ video content to engaging customers/ prospects, to meet business goals - published by print and digital media including web, mobile platforms - repurposed and syndicated to different forms of web presences such as publisher sites, blogs, social media and comparison sites.

Mindset change need by many companies to think like a publisher and invest in quality content superior to their competitors. This requires:

- Quality, compelling content
- Quality writing
- Editorial Calendar & Process
- Investment in software tools to facilitate
- Customer research to determine content audience will engage with
- Tracking of content that engages.

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Characteristics of Digital Media Communications

McDonald & Wilson(1999) developed 6 I's of digital marketing

1. **Interactivity** – pull communication (customer interacting with company websites)
2. **Intelligence** – internet is low-cost method of collecting marketing research. Web analytics tools
3. **Individualisation** –Communication can be tailored to the individual. Personalisation.
4. **Integration** –internet provides scope for integration of marketing communications.
5. **Industry Restructuring** – Disintermediation, Reintermediation, Countermediation are key concepts of industry restructuring.
6. **Independence of location** – Increase the reach of the company communications to a global audience

Figure 7.14 Summary of communication models for (a) traditional media, (b) new media

Channel Switching – when a customer changes between online and offline channels during buying process

Figure 7.15 Summary of degree of individualisation for (a) traditional media (same message) and (b) new media (unique messages and more information exchange between customers)

Figure 7.16 Channels requiring integration as part of integrated digital marketing strategy

Tactics – Using the Marketing Mix

PRODUCT
Publishers, media owners can offer digital products with a range of purchase options e.g subscription, pay per view, bundling, ad support content.

Product Variable – Element of the marketing mix that involves research customer needs and developing appropriate products

Core Products – Features of the product that meet users needs

Extended Product – Added features and benefits beyond core product

Mass customization – Tailored messages or products for individual customers or groups of customers using technology to retain economies of scale and the capacity of mass marketing or production

Co-creation – process where brands and consumers work together to create better ideas, products and services

Bundling – offering complementary services

Tipping Point – Using the science of social epidemics to explain principles that underpin rapid spread of ideas/ products/ behaviors through a population.

Using the Internet to vary the marketing mix

Product	Promotion	Price	Place	People	Process	Physical evidence
• Quality • Image • Branding • Features • Variants • Mix • Support • Customer service • Use occasion • Availability • Warranties	• Marketing communications • Personal promotion • Sales promotion • PR • Branding • Direct marketing	• Positioning • List • Discounts • Credit • Payment methods • Free or value-added elements	• Trade channels • Sales support • Channel number • Segmented channels	• Individuals on marketing activities • Individuals on customer contact • Recruitment • Culture/ image • Training and skills • Remuneration	• Customer focus • Business-led • IT-supported • Design features • Research and development	• Sales/staff contact experience of brand • Product packaging • Online experience

Figure 7.18 The elements of the marketing mix

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Tactics – Using the Marketing Mix

Price

Price variable – element of marketing mix that involves defining product prices and pricing models.

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Pricing models – describes the form of payment such as outright purchase, auction, rental, volume purchase and credit terms

Satisficing Behaviour – Customers do not behave entirely rationally in product/ supplier selection. They will compare alternatives but may make choice given imperfect information

Price elasticity of demand – this is the measure of consumer behaviour that indicates the change in demand for a product or service in response to changes in price

Commoditization – process where product selection becomes more dependent on price than on differentiating features, benefits and value added services

Dynamic pricing – pricing strategy where businesses set flexible prices for products / services based on current market demands

Aggregated Buying – Form of customer union where buyers collectively purchase a number of items at the same time and receive a volume discount

Main **implications of the internet for the price** aspect of the marketing mix

1. Increase price transparency & its implications on differential pricing
2. Downward pressure on price (commoditization)
3. New Pricing approaches (Dynamic pricing and auctions
4. At what level is pricing set ?
5. Are rivals monitoring my price?
6. Are we stuck in the middle?

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