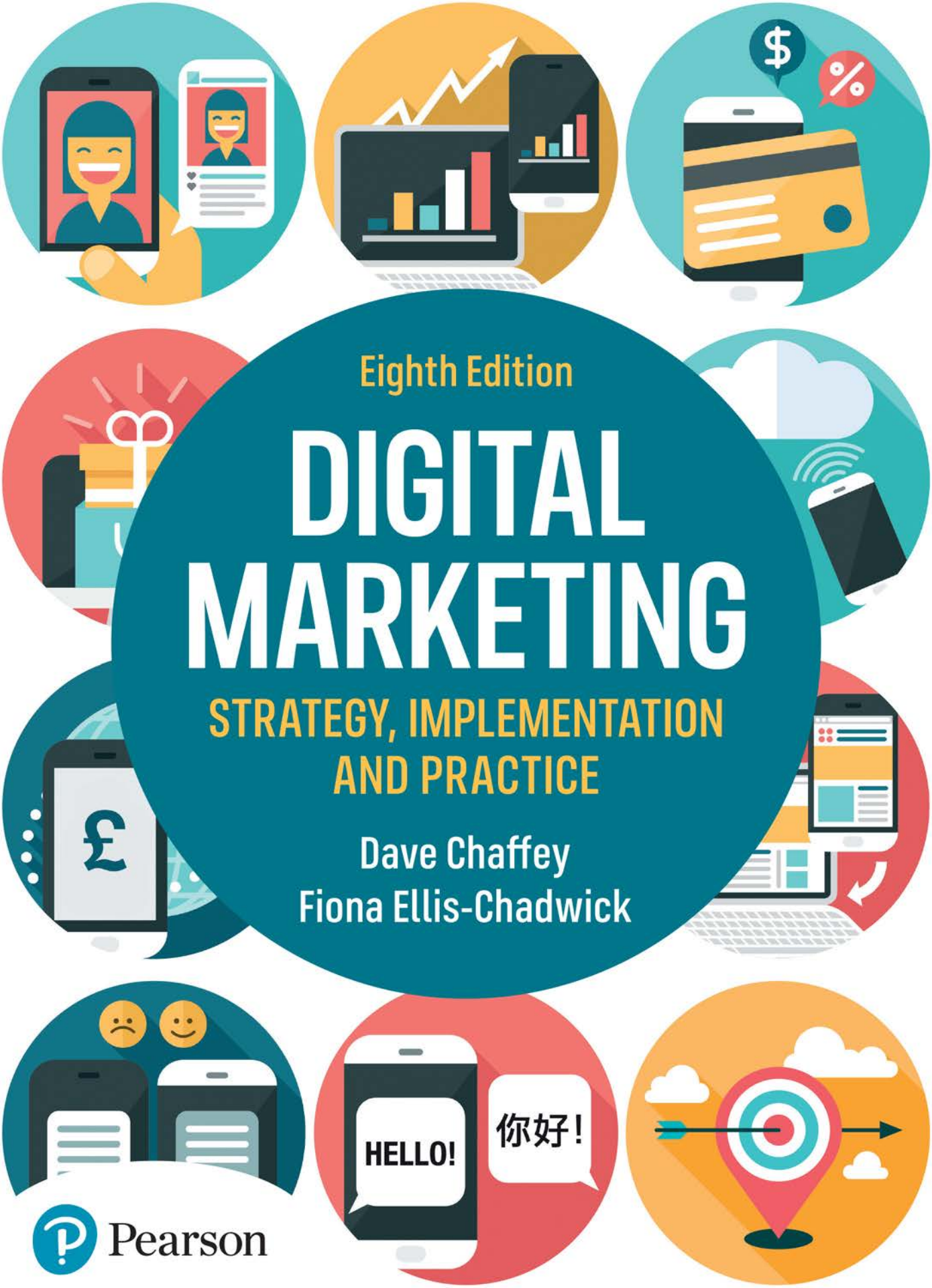

Eighth Edition

DIGITAL MARKETING

STRATEGY, IMPLEMENTATION AND PRACTICE

Dave Chaffey
Fiona Ellis-Chadwick

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DIGITAL MARKETING

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Dave Chaffey
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Preface

Digital media and technology, an opportunity and a threat

Digital marketing has transformed how businesses and other organisations communicate with their audiences. Consumers now have access to a much wider choice of entertainment, products, services and prices from different suppliers and a more convenient way to select and purchase items. Organisations have the opportunity to expand into new markets, offer new services, interact with audiences in new ways and compete on a more equal footing with larger businesses. Marketers working within these organisations have the opportunity to develop new skills and to integrate these new tools to improve the competitiveness of the company.

In Chapter 1 we introduce the 7Ds of digital marketing to highlight the many factors that contribute to effective digital marketing. The 7Ds are digital goals and strategy, digital audiences, digital devices, digital platforms, digital media, digital data and digital technology. These can be used, alongside traditional marketing techniques, to get closer to audiences than ever before. Throughout the text we emphasise the importance of integrating the 7Ds, such that digital marketing is not treated in isolation but aligned with marketing and business strategy, while offering opportunities to impact strategy through new revenue and business models.

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

Throughout this text we highlight the potential of digital data, analytics and insight to learn more about customers and their interactions, and customise marketing propositions and communications to increase relevance and response. We show that a data-driven or insight-driven marketing approach offers many advantages, but that organisations must carefully consider the implications for customer data privacy and security.

Management of digital marketing

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

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

What are the marketing communications techniques that businesses need to master to make effective use of digital marketing? The proliferation of new media channels, digital technologies and interaction options has given a challenge of understanding, prioritising and

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

Plan	Reach	Act	Convert	Engage
Create a digital marketing strategy or transformation plan	Increase awareness, drive website, mobile and social media visits	Generate interactions and leads	Achieve sales online or offline	Encourage customer loyalty and advocacy
1.1 Situation review (Chapters 2 and 3)	2.1 Media effectiveness review (Chapters 8 and 10)	3.1 Customer journey effectiveness (Chapter 7)	4.1 Retargeting (Chapters 6 and 9)	5.1 Customer onboarding (Chapters 6 and 7)
1.2 Set vision and objectives, evaluate (Chapters 4 and 10)	2.2 Search marketing (Chapter 9)	3.2 Data profiling (Chapter 6)	4.2 Personalisation (Chapter 7)	5.2 Customer experience (Chapter 7)
1.3 Strategy (Chapters 4–8)	2.3 Earned and owned media (Chapters 6–9)	3.3 Content marketing (Chapter 8)	4.3 Mobile experiences (Chapter 7)	5.3 Customer service (Chapter 7)
1.4 Segmentation (Chapters 4 and 6)	2.4 Paid media (Chapter 9)	3.4 Landing pages (Chapter 7 and 8)	4.4 Multichannel selling (Chapter 4)	5.4 Email marketing (Chapters 6 and 9)
1.5 Value proposition and brand (Chapters 4 and 5)	2.5 Acquisition plan (Chapters 8 and 9)	3.5 Content strategy and campaign plan (Chapter 8)	4.5 Conversion rate optimisation (Chapters 7 and 10)	5.5 Social media marketing (Chapters 6 and 9)

Source: Chaffey (2021)

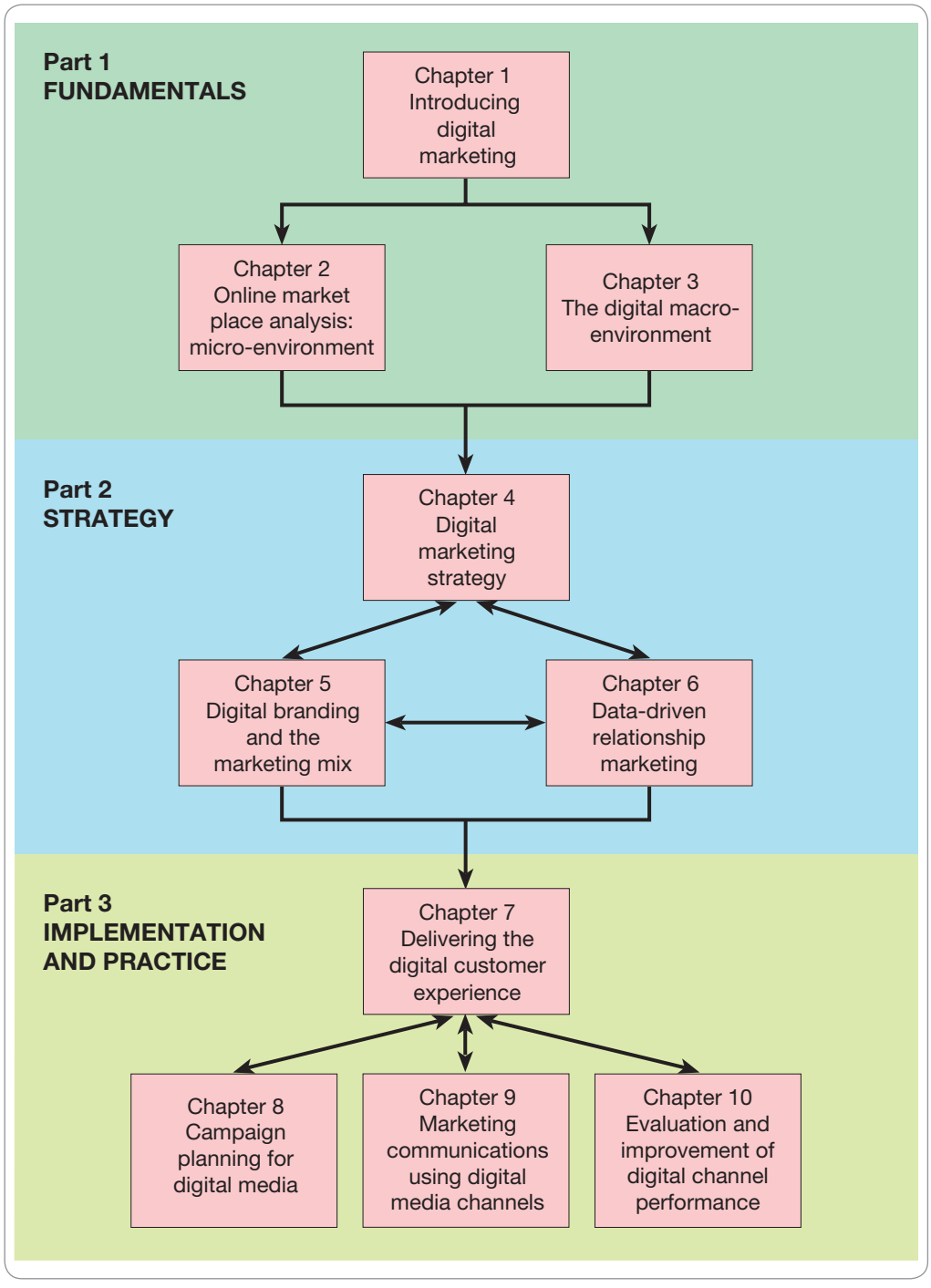
managing many new digital communications techniques. To help summarise these at a top level of the customer lifecycle or classic marketing funnel, Chaffey (2021) defined the RACE planning framework shown in Table P.1. RACE planning defines a structure of $5 \times 5 = 25$ key digital marketing techniques that need to be harnessed in most organisations to fully exploit digital marketing to reach, interact with, convert and engage online audiences across the customer lifecycle, from generating awareness, conversion to sale (online and offline) and retention and growth of customers. RACE also emphasises the need to plan to create a coordinated, integrated approach to digital marketing, which is integrated with other communications activities. Many of the activities across RACE are introduced in Chapter 1 as 'always-on' lifecycle communications, meaning businesses need to ensure that they can optimise their capabilities to achieve the RACE goals shown in the second row of Table P.1. For larger organisations, Table P.1 provides a summary of activities that need to be managed as part of digital transformation programmes, which review the innovation across people, process, tools and measures needed to increase competitiveness.

The table shows the range of different marketing activities or operating processes needed to support acquiring new customers through communicating with them on third-party websites and social media, attracting them to a company website, mobile app or social network and converting interest into leads and sales, and then using online customer communications to encourage further purchases and advocacy. You can see that applying social media and content marketing is a part of RACE that can be deployed to support many activities, and therefore is one of the key management challenges in digital marketing, so we consider approaches to managing social media and content marketing throughout the text, with a focus in Chapters 6, 8 and 9. Applying digital platforms as part of multichannel marketing to integrate customer journeys between traditional and digital media is also a major challenge and a theme throughout this text. Management processes related to governance of digital marketing include planning how digital marketing can be best resourced to contribute to the organisation and integrated with other marketing activities. The increased adoption of digital marketing also implies a significant programme of change that needs to be managed. New objectives need to be set, new communications strategies developed and staff developed through new responsibilities and skills.

Digital marketing – new skills required?

The aim of this text is to provide you with a comprehensive guide to the concepts, techniques and best practice to support all the digital marketing processes shown in Table P.1. This text (the structure of which is shown in Figure P.1) is based on emerging academic models together with best practice from leading adopters of digital media. The practical knowledge

Figure P.1 Structure of the text



developed through reviewing these concepts and best practice is intended to enable graduates entering employment and marketing professionals to exploit the opportunities of digital marketing while minimising the risks.

Specifically, this text addresses the following needs:

- To know to what extent digital technology and media changes existing marketing models and how new models and strategies can be applied to exploit the medium effectively.
- How to best integrate and align digital marketing with business and marketing strategies and communications, including dedicated digital transformation programmes and digital marketing strategies where necessary.
- Marketing practitioners need practical digital marketing skills to market their products effectively. Knowledge of the jargon – terms such as 'marketing automation', 'click-through', 'cookie', 'uniques' and 'page impressions' – and of effective methods of site design and promotion such as search engine marketing will be necessary, either for direct 'hands-on' development of a site or to enable communication with other staff or agencies that are implementing and maintaining the site.

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

Summary of changes for the eighth edition

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

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

- Increased coverage and examples of data-driven marketing techniques including digital analytics, artificial intelligence and machine learning.
- Updated examples of deploying organic and paid social media.
- Simplified chapter introduction pages blending learning objectives and topics.
- Increased diversity within case studies and mini case studies to feature more startup and not-for-profit businesses.

The main innovations included in the chapters are as follows.

Chapter 1 – Introducing digital marketing

- The 5Ds of digital marketing extended to 7Ds to emphasise the importance of goal setting, strategy and customer insight.
- New and updated visuals to introduce and explain digital marketing concepts and options. Overall, this edition has over 50 new or updated figures and tables.

Chapter 2 – Online marketplace analysis: micro-environment

- Table 2.1 updated to include the latest customer research tools and sources for students to use in their assignments.
- New research on share of searches and examples of keywords.
- New mini case study on how social media influencers can shape our opinions.

- New activity on B2B social network LinkedIn.
- New digital marketing competitor benchmarking framework based on RACE.

Chapter 3 – The digital macro-environment

- Increased focus on marketing technology and AI and reduced introductory content on 'how the web works'.
- New mini case study covering Bitcoin and marketing applications of blockchain.
- New digital marketing insight covering digital minimalism and digital addiction.
- Updates to legislation related to digital marketing and coverage of the 'cookieless future'.

Chapter 4 – Digital marketing strategy

- New digital marketing insights box exploring: 'Is a digital marketing strategy needed in the post-digital world?'
- New section and figure on completing a digital marketing capability review.

Chapter 5 – Digital branding and the marketing mix

- New focus on digital branding.
- New research and examples on each part of the marketing mix added.

Chapter 6 – Data-driven relationship marketing using digital platforms

- New section on data-driven marketing covering Big Data, AI and machine learning, and analysis techniques including lead scoring and lead grading with a mini case study illustrating the concept. Chapter restructured to emphasise this, with social media marketing moved to the end and now including social media monitoring.
- New figures explaining how email marketing and social media can be used to support marketing activities across the customer lifecycle of Reach, Act, Convert and Engage.
- New case study showing how a startup business – B2B social media sharing service Buffer – has used data-driven marketing to grow the business.

Chapter 7 – Delivering the digital customer experience

- Options of cloud-based hosting and website hosting introduced. Google Core Web Vitals added.
- Usability and digital accessibility updated with new Voice of the Customer examples and McGovern's 'top tasks' methodology.
- Updates of new IoT and AR applications including addition of classical literature on VR, AR and mixed reality.

Chapter 8 – Campaign planning for digital media

- New coverage and research covering balance between brand-building and brand-response campaigns and how digital media can facilitate this.
- Case study on Facebook replaced by not-for-profit Global Action Plan, which campaigns for environmental improvements.
- Updated figures recommending an integrated campaign timeline and best media types for different campaign budgets.

Chapter 9 – Marketing communications using digital media channels

- Best practices recommendations updated, particularly for organic and paid search. New mini case added on advertising in TikTok.
- New case study on using analytics to review media effectiveness at Smart Insights.

Chapter 10 – Evaluation and improvement of digital channel performance

- More practical coverage of Google Analytics, including a student activity reviewing the main reports in the Google Analytics Demo Accounts for Universal Analytics and GA4.
- Short section and mini case study added on Voice of Customer research.

Table P.2 In-depth case studies in *Digital Marketing,* 8th edition

Chapter	Case study	Themes
1 Introducing digital marketing	Boo hoo: learning from **Boo.com** – the largest European dot.com failure and the success of **Boohoo.com**	Business and revenue model, proposition, competition, objectives and strategies, risk management. Updated to contrast with **Boo.com**
2 Online marketplace analysis: micro-environment	Creating the beauty that moves the world	Assessing a consumer market, business models, marketing communications
3 The digital macro-environment	Social media and the changing face of celebrity influencers	Companion vision, branding, target market, communicating the proposition, challenges and reasons for failure
4 Digital marketing strategy	ASOS shifts the focus of high-street retailing to enhance the customer experience	Business models, proposition and online product range, target market strategy
5 Digital branding and the marketing mix	Spotify streaming develops new revenue models	Peer-to-peer services, revenue models, proposition design, strategy, competition, risk factors
6 Data-driven relationship marketing using digital platforms	Buffer: from idea to paying business customers in seven weeks	Testing concepts and innovating value propositions using data-driven marketing in a startup business
7 Delivering the digital customer experience	Refining the online customer experience at **i-to-i.com**	Strategy, proposition, site design, on-site search capabilities
8 Campaign planning for digital media	Global Action Plan – campaigning for a better world	Exploring the campaign planning process at charity GAP, with examples of different participation and social-media-led campaigns
9 Marketing communications using digital media channels	Smart Insights: how content strategy fuels inbound marketing to grow an online B2B service	Digital media channel strategy and measurement using Google Analytics for a small business
10 Evaluation and improvement of digital channel performance	Learning from Amazon's culture of metrics	Strategy, measurement, online marketing communications, personalisation approach

The structure and content of this text

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

Part 1 Digital marketing fundamentals (Chapters 1–3)

Part 1 relates the use of the internet to traditional marketing theories and concepts, and questions the validity of existing models given the differences between the internet and other media.

- Chapter 1 *Introducing digital marketing* considers using the internet as part of customer-centric, multichannel marketing; it also reviews the relationship between internet marketing, digital marketing, e-commerce and digital business, and the benefits the internet can bring to adopters; and outlines differences from other media and briefly introduces the technology.
- Chapter 2 *Online marketplace analysis: micro-environment* reviews how digital media and technology changes the immediate environment of an organisation, including the marketplace and channel structure. It describes the type of situation analysis needed to

Table P.3 Coverage of marketing topics in different chapters

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

support digital strategy by examining how customers, competitors and intermediaries, and the interplay between them, can be evaluated.

- Chapter 3 *The digital macro-environment* reviews the impact of social, technological, economic, political, legal and environmental influences on digital strategy and its implementation. The emphasis is on privacy and data protection regulations and managing technology innovation.

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

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

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

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

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

- Chapter 7 *Delivering the digital customer experience* explains how an online presence is developed to support branding and customer service quality objectives. The stages of analysis of customer needs, design of the site structure and layout and creating the site are covered, together with key techniques such as user-centred design, usability and accessibility design. It also covers different service quality models used to assess experience.
- Chapter 8 *Campaign planning for digital media* describes the novel characteristics of digital media, and then considers different aspects of marketing communications that are important for developing a successful online campaign.
- Chapter 9 *Marketing communications using digital media channels* covers techniques such as banner advertising, affiliate networks, promotion in search engines, co-branding and sponsorship, email, online PR, viral and word-of-mouth marketing, with particular reference to social networks.
- Chapter 10 *Evaluation and improvement of digital channel performance* reviews methods for assessing and improving the effectiveness of a website and digital communications using digital analytics, with a focus on Google Analytics. The chapter briefly covers process and tools for updating content.

Who should use this text?

Students

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

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

Practitioners

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

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

What does the text offer to lecturers teaching these courses?

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

Student learning features

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

At the start of each chapter

The 'Chapter at a glance' page is a summary of the content for each chapter. It contains:

- **Learning objectives and topics**: a list relating the learning objectives to the main sections in which they are covered in the chapter.
- **Case study**: an organisation is featured in the main case at the end of each chapter.
- **Links to other chapters**: a summary of where key concepts are also covered in other chapters.

In each chapter

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

At the end of each chapter

- **Self-assessment exercises**: short questions that will test understanding of terms and concepts described in the chapter.
- **Exam and discussion questions:** these include questions that can be set for students or used for self-review by students. They include individual essays, topics for seminar discussion and short questions for exams to assess knowledge about a topic.
- **References:** these are references to books, articles or papers referred to within the chapter.

Note: In addition to the end of chapter material in the text, website links are hosted at **www.davechaffey.com/book-support**, structured by chapter to enable students to click-through to relevant sites. These are significant sites that provide further information on the concepts and topics of the chapter.

At the end of the text

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

Support material

Free supplementary materials are available at Dave Chaffey's website at **www.davechaffey.com/book-support** to support all users of the text. This regularly updated website contains advice, comment, support materials and hyperlinks to reference sites relevant to the text. A companion website for lecturers and students is available from the publisher at **go.pearson.com/uk/he/resources.** Lecturers can download an Instructor's Manual and supporting PowerPoint slides.

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About the authors

Dave Chaffey BSc, PhD, FCIM, FIDM

Dave is co-founder of Smart Insights (**www.smartinsights.com**), an online marketing training platform and blog providing advice and alerts on best practice and industry developments for marketers, digital marketers and e-commerce managers. Dave's personal blog features a glossary and other advice created to help readers of Dave's books, available from **www.davechaffey.com/book-support**.

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

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

He is proud to have been recognised in 2004 by the Department of Trade and Industry as one of the leading individuals who have provided input and influence on the development and growth of e-commerce and the internet in the UK for the previous ten years. Dave has also been recognised by the Chartered Institute of Marketing as one of 50 marketing 'gurus' worldwide who have helped shape the future of marketing. He is also proud to be an Honorary Fellow of the Chartered Institute of Marketing and the Institute of Data and Marketing.

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

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

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

Dave is a volunteer at **Abilitynet.org.uk** helping people with disabilities, including visual impairment, to use digital devices.

Fiona Ellis-Chadwick PhD, BSc, PGCE

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

Additionally, as part of her academic career, Fiona is a very active researcher and innovator who frequently leads the development of thought-provoking multimedia teaching materials, bringing together her knowledge of research and business. Fiona's work has

been widely published in national and international journals, including *Journal of Business Research*, *European Journal of Marketing*, *International Journal of Retail Distribution & Management*, *Internet Research* and *Journal of Retailing and Consumer Services*.

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

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LinkedIn: **https://www.linkedin.com/in/fiona-ellis-chadwick-6919136/**

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I am fortunate to have shared my journey of understanding how best to use digital marketing with thousands of students and marketing professionals and I thank you for sharing your experiences with me. I'd particularly like to thank all the practitioners who have shared their experiences on applying digital marketing in their articles and webinars on **Smartinsights.com** and past, present and future colleagues who I have enjoyed working with to develop our digital communications at Smart Insights, in particular my co-founders Stu Miller and Danyl Bosomworth.

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Dave Chaffey

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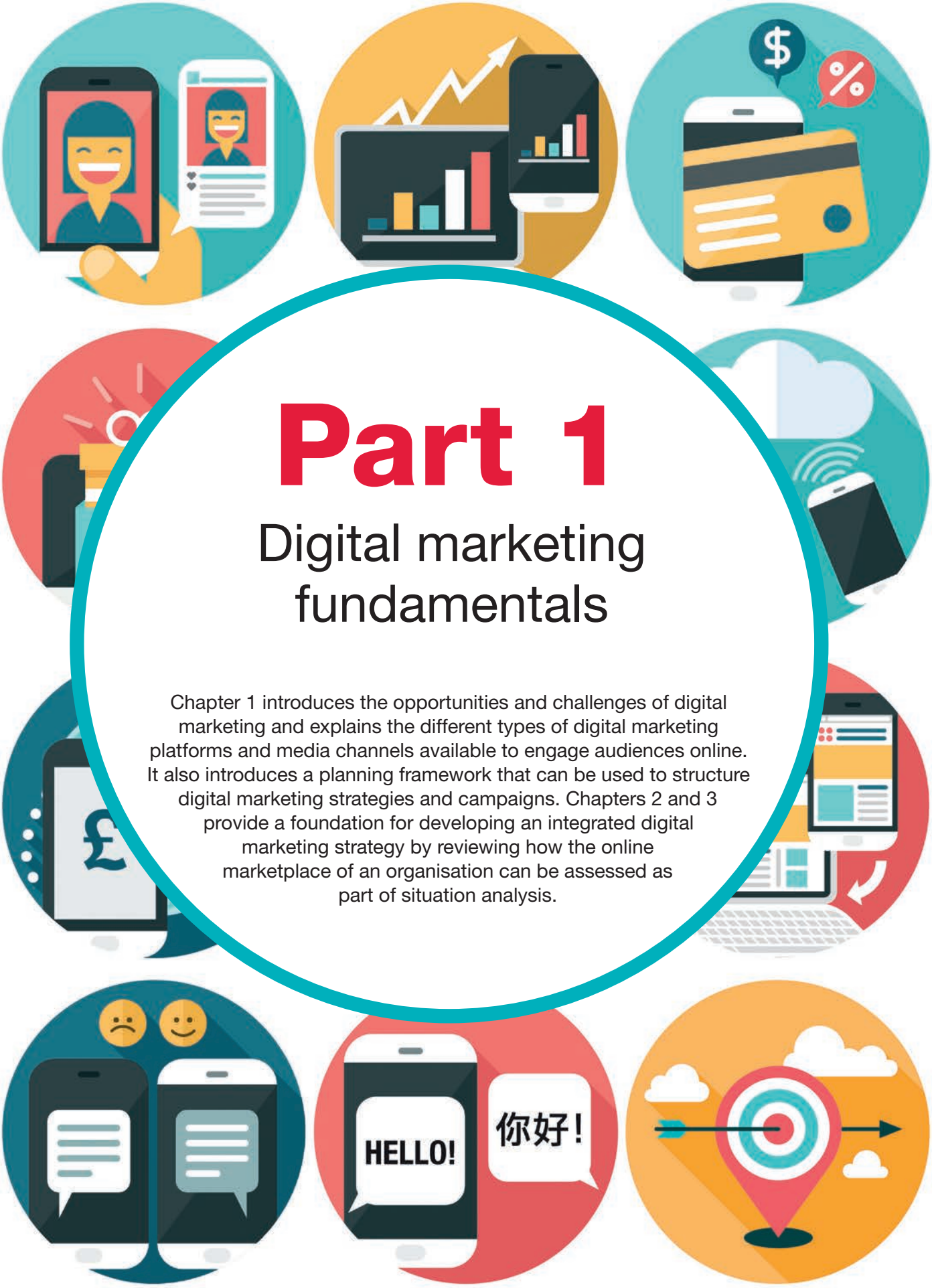


Part 1

Digital marketing fundamentals

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

1 Introducing digital marketing 4

- Introduction: how has digital marketing transformed marketing?
- Digital marketing goals and strategy
- Introduction to digital marketing strategy
- Business and revenue models
- Digital marketing audiences and buyer behaviour
- Digital devices and digital platforms
- Digital media
- Digital data
- Digital marketing technology

2 Online marketplace analysis: micro-environment 45

- Introduction to online marketplace analysis
- Situation analysis for digital marketing
- The digital marketing environment
- Customers: understanding how they interact with digital markets
- Customer choice and digital influence
- Customer characteristics
- Competitor analysis
- Suppliers, publishers, intermediaries and influencers
- New channel structures
- Digital business models
- Digital revenue models

3 The digital macro-environment 92

- Introduction to macro-environment forces
- Technological forces
- Legal forces
- Social forces
- Economic forces
- Political forces

1 Introducing digital marketing

Learning objectives and topics

After reading this chapter, you should be able to:

- Explain how the business opportunities and challenges of digital marketing can be managed using a strategic approach
  - Introduction: how has digital marketing transformed marketing?
  - Digital marketing goals and strategy
  - Business and revenue models
  - Challenges in developing and managing digital marketing strategy
- Review the options to achieve communications goals using different types of digital media and platforms
  - Digital marketing audiences and buyer behaviour
  - Digital devices and digital platforms
  - Digital media
- Review how different types of marketing data and technology can be used to improve audience experiences and support business goals
  - Digital data
  - Digital marketing technology

Case study

Case study 1: Boo hoo: learning from **Boo.com** – the largest European **dot.com** failure and the success of **Boohoo.com**

Links to other chapters

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

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

Introduction: how has digital marketing transformed marketing?

For businesses to compete effectively today, it's essential that they use digital marketing to support their business and marketing strategies. Each one of us now spends several hours each day using digital media, whether we're looking for entertainment, social interaction or seeking new products. Brands that don't have the right digital elements in place within their marketing communications programmes miss out on opportunities to influence consumers at key online touchpoints.

Digital marketing offers marketers many innovative communications techniques to reach and engage consumers and businesses online to support their goals. Compared to traditional media such as TV, print or cinema, these techniques may have many potential benefits. They offer interaction, personalisation to target audience interests and in some cases, such as in search engine or social media marketing, there may be organic options that don't incur a direct media cost. Yet some traditional media remain effective, and consideration of how to integrate these is needed.

For the authors of this text, digital marketing is an exciting area to be involved with, since it poses many new opportunities and challenges yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communications approaches.

Yet, given the number of digital marketing techniques and platforms, there are many challenges in selecting the best media to gain cut-through to reach the right audience, at the right time, in the right place given the proliferation of digital media. The options available change rapidly as innovations occur across the digital platforms.

In this text, we explain a strategic approach for businesses to take advantage of the opportunities of using digital communications and digital transformation. It's based on a systematic process to define the opportunity (Part 1), develop strategies (Part 2) and implement digital techniques and best practices (Part 3).

How will this text help me?

To succeed in the future, organisations will need marketers, strategists and agencies with up-to-date knowledge of how to integrate digital marketing techniques into their marketing communications and develop new strategies to compete.

The aim of *Digital Marketing* is to support students and professionals in gaining and developing this knowledge. In this text, we will show how traditional marketing models and concepts can be applied to help develop digital marketing strategies and plans, and where new models are appropriate. We will also give many practical examples and best practices for applying digital marketing to effectively market an organisation's products and services using the internet and other digital media.

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

Online company presence
Different forms of online media controlled by a company including its website, blogs, email list and social media presences. Also known as 'owned media'.

What is digital marketing?

Digital marketing can be simply defined as:

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

This succinct definition helps remind us that it is the results delivered by technology that should determine investment in digital marketing, not the adoption of the technology! We also need to remember that despite the popularity of digital devices for product selection, entertainment and work, we still spend a lot of time in the real world, so integration with traditional media remains important in many sectors.

In practice, digital marketing focuses on managing different forms of **online company presence**, such as company websites, mobile apps and social media company pages,

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

Digital transformation
A staged programme of organisational improvements to business models, people, process and technologies used for integrated digital marketing in order to maximise the potential business contribution of digital technology, data and media.

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

Customer journey
A description of modern multichannel buyer behaviour as customers use different media and touchpoints to achieve their goals, including selecting suppliers, making purchases and gaining customer support as part of the 'path-to-purchase'.

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

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

Earned media
The audience is reached through editorial, comments and sharing both online and offline.

integrated with online communications techniques introduced later in this chapter, including search engine marketing, content marketing, social media marketing, online advertising, email marketing and partnership arrangements with other websites.

These techniques are used to support the objectives of acquiring new customers and providing services to existing customers that help develop the customer relationship through **customer relationship management (CRM)**. However, for digital marketing to be successful there is still a need for integration of these techniques with traditional media such as print, TV, direct mail and human sales and support as part of multichannel marketing communications.

To use digital marketing effectively, many established businesses have adopted **digital transformation** programmes. Analyst Brian Solis (2017) of Altimeter defines digital transformation as:

> The evolving pursuit of innovative and agile business and operational models – fuelled by evolving technologies, processes, analytics, and talent – to create new value and experiences for customers, employees, and stakeholders.

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

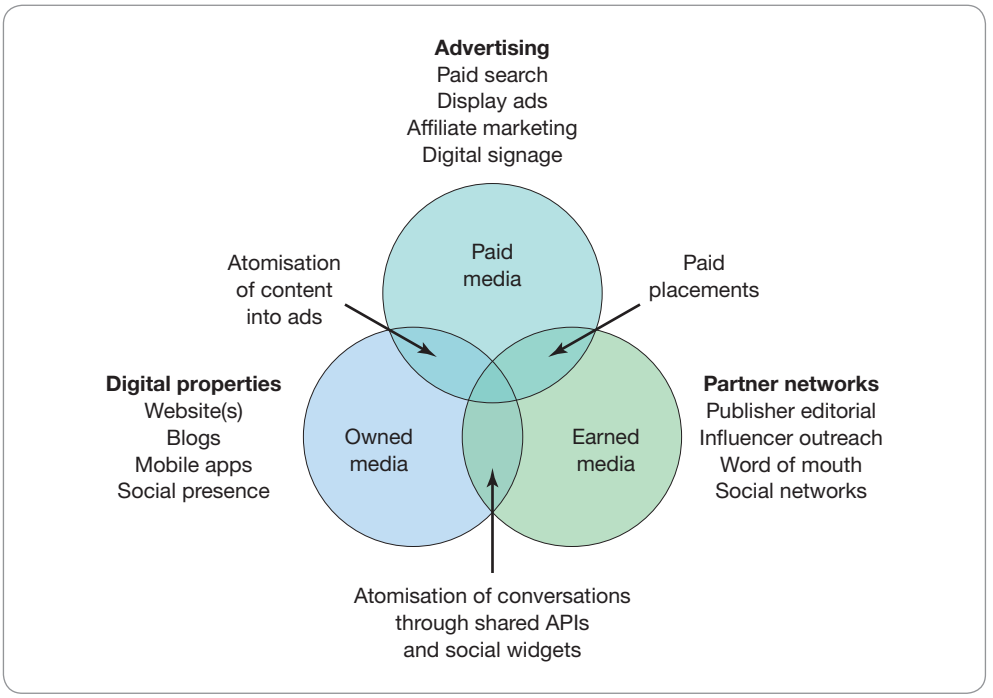
We will see at the end of this chapter that content marketing has become a core integrated modern marketing approach that involves communications across paid, owned and earned media.

Paid, owned and earned media

To develop a sound digital strategy today involves understanding a more complex, more competitive buying environment than ever before, with customer journeys including touchpoints in many different forms of online presence. To help develop a strategy to reach and influence potential customers online, it's commonplace to refer to three main types of media that marketers need to consider today (Figure 1.1):

1. **Paid media.** These are bought media where there is investment to pay for visitors, reach or conversions through search, display ad networks or affiliate marketing. Offline, traditional media such as print and TV advertising and direct mail remain important for some brands such as consumer goods brands.
2. **Owned media.** This is media owned by the brand. Online this includes a company's own websites, blogs, email list, mobile apps or its social presence on Facebook, Instagram, LinkedIn or Twitter. Offline owned media may include brochures or retail stores. It's useful to think of a company's own presence as media in the sense that it is an alternative investment to other media and it offers opportunities to promote products using similar ad or editorial formats to other media. It emphasises the need for all organisations to become multichannel publishers.
3. **Earned media.** Traditionally, earned media has been the name given to publicity generated through PR invested in targeting influencers to increase awareness about a brand. Now, earned media also includes word of mouth that can be stimulated through viral and social media marketing, and conversations in social networks, blogs and other communities. It's useful to think of earned media as the sharing of engaging content developed through different types of partners such as publishers, bloggers and other influencers, including customer advocates. Another way of thinking about earned media is as different forms of conversations between consumers and businesses occurring both online and offline.

Figure 1.1 The intersection of the three key online media types



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

You can see in Figure 1.1 that there is overlap between the three different types of media. It is important to note this since achieving this overlap requires integration of campaigns, resources and infrastructure. Content on a content hub or site can be broken down (sometimes described as microcontent) and shared between other media types through widgets powered by program and data exchange APIs (**application programming interfaces**) such as the Facebook API.

Essential digital skills — Keeping up to date with digital

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

In this chapter, we recommend some techniques that marketers can use to stay up to date with developments in digital marketing and with their competitors. We recommend you develop the following skills:

- regularly reviewing the latest trends in digital marketing techniques;
- assessing the relevance to business of new features from the main digital marketing platforms such as Facebook and Google.

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

- Use Twitter Lists to get focused updates from the best websites or influencers, which are grouped into streams. I monitor these in **www.Hootsuite.com**, which you can also use to set up streams for competitors.

- Use a feed reader app such as Feedly™ to subscribe to different digital marketing news sites. The most popular articles are highlighted to help you filter out the biggest developments. Install Feedly and you will get recommendations of the best marketing sites.
- Subscribe to newsletters that cover the latest platform developments and best practices, for example, Econsultancy™, MarTech™ and Smart Insights™.

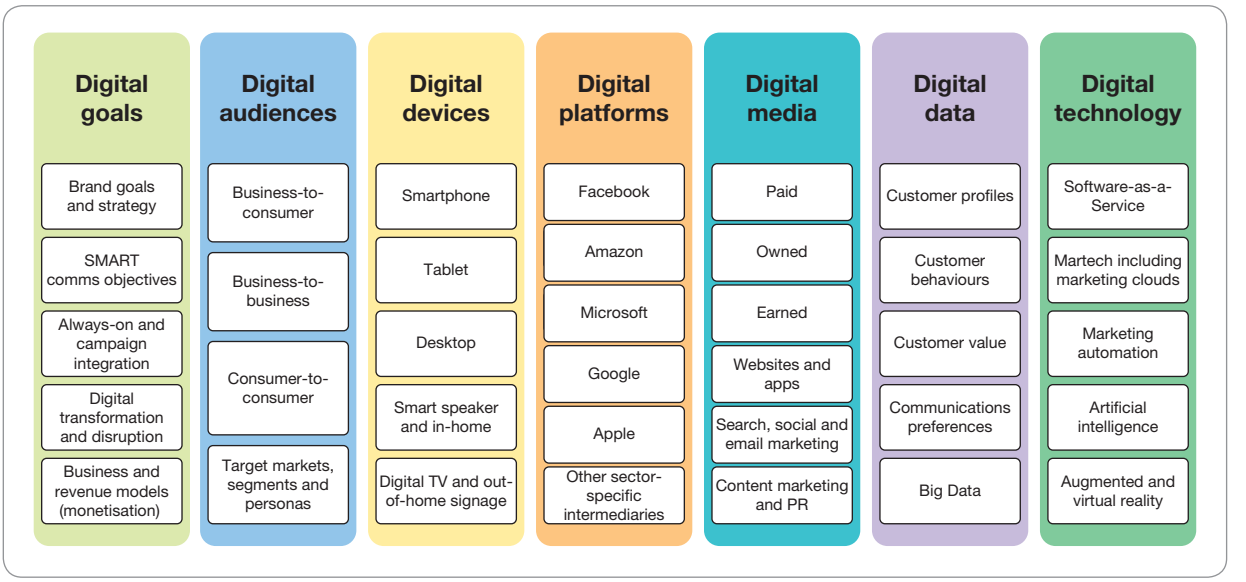
To audit your digital marketing skills across the RACE planning framework, use the Smart Insights Skills Assessment tool available at **http://bit.ly/smartdigiskills**.

Context – the 7Ds of digital marketing

As part of defining the scope of opportunity when using a strategic approach to digital marketing, it's helpful to think about which digital audience interactions we need to understand and manage through marketing communications. Digital marketing today is about managing many more types of audience interaction than simply a company website or email marketing. It involves harnessing all of these other '7Ds of managing digital marketing interactions', which are summarised in Figure 1.2. This summarises the key concepts and pillars supporting digital marketing that are introduced in this chapter The marketing activities relating to the 7Ds that should be reviewed as part of a strategic approach to digital marketing are:

- **Digital goals and strategy.** Reviewing what the business or brand is aiming to achieve through using digital marketing and how well it is contributing. Considering how digital marketing can help the business compete through digital marketing strategy to define digital transformation needed for existing businesses, including changes to business and revenue models, and prioritisation of always-on marketing in addition to campaign investments.

Figure 1.2 The 7Ds or pillars supporting effective digital marketing



- **Digital audiences.** Understanding online audience characteristics, behaviours and preferences, summarised as personas, in order to deliver more relevant content and experiences to different target segments, aimed at increasing interactions and so meeting business goals within the competitive online marketplace.
- **Digital devices.** Understanding how our audiences interact with businesses as part of the buying process using a combination of smartphones, tablets, laptops, desktop computers, TVs, gaming devices, smart speakers and other connected devices forming the **Internet of Things (IoT)** (see Chapter 7).

Internet of Things (IoT)
A network of objects and devices at home and at work providing sensors and connectivity that enable them to be monitored and exchange data with other systems.

- **Digital platforms.** Assessing the relative importance of interactions and priority for communications on the major 'digital platforms' or online services, sometimes described by the acronym **'FAMGA'**. These businesses are influential in developing the operating systems, browsers, apps, social networks and search engines used to mediate digital interactions between businesses and consumers. Industry sectors may have their own platforms that are important in influencing purchase, for example specialist online publishers or comparison sites. For example, within the travel sector, TripAdvisor™ is an important platform, built using the infrastructure provided by different FAMGA players.

FAMGA
An acronym standing for Facebook™ (which owns Instagram™ and WhatsApp™), Amazon™, Microsoft™ (which owns LinkedIn™), Google™ (whose parent group Alphabet™ owns YouTube™) and Apple™.

- **Digital media.** Prioritising the use of different communications channels for reaching and engaging audiences that are available, including advertising, email and messaging, search engines and social networks, which we'll introduce in this chapter.
- **Digital data.** Structuring and applying the insight businesses collect about their audience profiles; their interactions with businesses now need to be protected by law in most countries.
- **Digital marketing technology.** Selecting the marketing technology or martech that is used to create interactive experiences including websites and mobile apps. Technology is also used to support the planning, execution, optimisation, insight and reporting for digital marketing channel activities that form marketing campaigns.

Digital marketing goals and strategy

Since digital media are enabled through technology, there is a danger that adoption of digital marketing technology will be led by technology decisions. This risk is highlighted in the *Harvard Business Review* article 'Digital transformation is not about technology'. Tabrizi *et al*. (2019) suggest that businesses will often:

> Put the cart before the horse, focusing on a specific technology ('we need a machine-learning strategy!') rather than doing the hard work of fitting the change into the overall business strategy first. Not only should they align tech investments with business goals – they should also lean more on insider knowledge than outside consultants, acknowledge fears about job loss that those insiders may have, develop deep knowledge of how changes will affect customer experience, and use process techniques borrowed from the tech world (experimentation, prototyping, etc.) to facilitate change.

As with any strategic initiative involving investment in technology, it's important to make the business case and set SMART objectives, as we detail in Chapter 4 on digital strategy. In this section we consider general benefits and applications of digital media and technology.

Goals of digital marketing

Since digital marketing should support marketing communications goals such as customer acquisition and retention, it's useful to consider a hierarchy of response model for how digital media and platforms support these goals. AIDA, which stands for

Awareness–Interest–Desire–Action, is the classic hierarchy of response model you are likely familiar with. It was originally created to explain how individuals respond to media such as ads. However, it doesn't relate to the overall process of digital marketing for achieving customer acquisition, retention and brand metric goals.

Customer lifecycle
The stages each customer will pass through in a long-term relationship with an organisation, including acquisition, retention and extension, prompted by digital and non-digital communications touchpoints.

Dave Chaffey developed the RACE digital marketing framework as a simple way to set and achieve goals across the **customer lifecycle** from acquisition and customer development to customer retention.

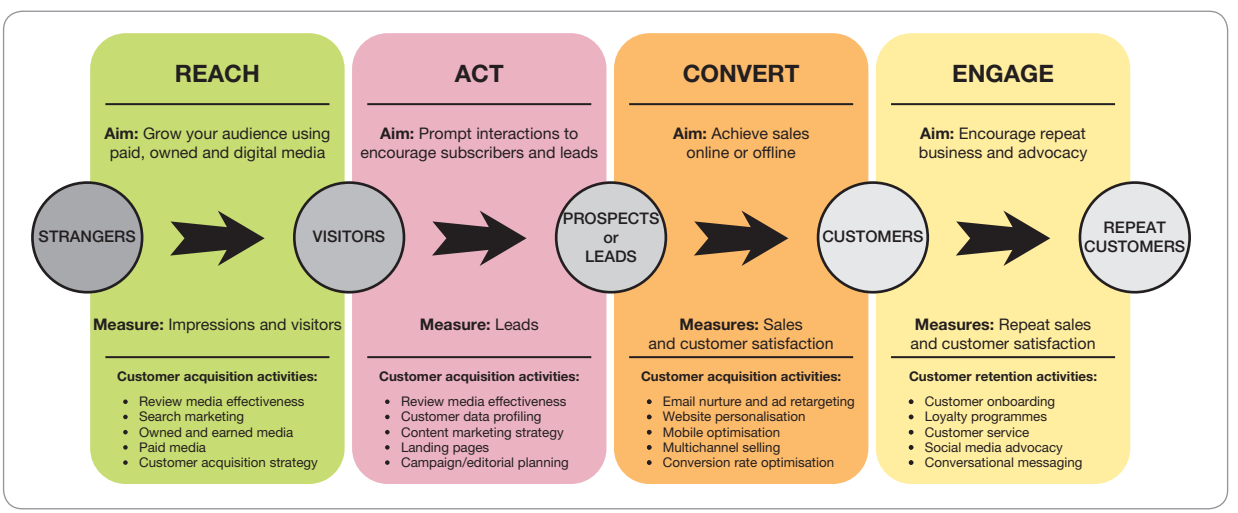
RACE (Figure 1.3 and Preface Figure P.1; Chaffey, 2021) is a practical framework developed by Dave Chaffey to help marketers set goals, measure performance and manage activities to improve the commercial value that their organisations gain from digital marketing. RACE is an evolution of the REAN (Reach–Engage–Activate–Nurture) framework originally developed by Xavier Blanc and popularised by Steve Jackson in his book *Cult of Analytics* (Jackson, 2009). It is intended to help create a simplified approach to reviewing the performance of online marketing and taking actions to improve its effectiveness.

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

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

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

Figure 1.3 The RACE omnichannel marketing planning framework summarising aims, activities and measures



at the Convert and Engage steps where customers may prefer to interact with customer representatives.

RACE can be used as a framework to structure the goals of both integrated digital marketing strategies and shorter-term campaigns, as shown by Mini case study 1.1.

We can also consider the benefits of digital marketing in supporting marketing goals by applying the definition of marketing suggested by the Chartered Institute of Marketing (**www.cim.co.uk**):

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

This definition emphasises the focus of marketing on the customer and commercial returns. Consider how digital marketing can be used to support these aims as follows:

- **Identifying.** Digital interactions give a source of customer insight and a channel for marketing research to determine customers' needs and wants (Chapters 2 and 10).
- **Anticipating.** Using insight gained online, digital media provide a way to target communications in line with audience needs. The demand for digital content and services needs to be evaluated to ensure adequate resources are delivered (as explained in Chapters 2, 3 and 4).

Mini case study 1.1

Burger King® Brazil makes creative use of augmented reality (AR) by 'flaming its competitors' ads'

Burger King's® 'Burn that ad' campaign

Source: The BURGER KING® and Whopper® trademarks and images are used with permission from Burger King Corporation. All rights reserved

The communications aim of the campaign was to drive people to download the BK app, use the AR feature in the real world and insist on Burger King flame grilling iconic taste. With the motto '*After all, flame grilled is always better*', digital interactions were encouraged through a feature in the Burger King app. It integrated a feature in its app that allowed users to scan any ad of the competition and burn it in the virtual world using augmented reality.

Conversion to sale was encouraged since users of the feature could get a free Whopper®, encouraging trial and future purchases. Longer-term engagement was encouraged by use of a mobile app, BK Express, specifically developed in Brazil enabling any customer to pre-order and avoid queues. The campaign aim was to achieve hundreds of thousands of app downloads and online voucher redemptions.

Source: The Drum (2019)

- **Satisfying.** A key success factor within digital marketing is achieving customer satisfaction through digital channels, which raises questions about the quality of customer experience (these issues of customer relationship management are discussed further in Chapters 6 and 7).

Chaffey and Smith (2017) suggested the 5Ss of digital marketing as a way of considering the business benefits of digital marketing. Table 1.1 shows our summary of these benefits.

Digital business or electronic business (e-business)
Electronically mediated information exchanges, both within an organisation and with external stakeholders supporting the range of business processes.

Electronic commerce (e-commerce)
All financial and informational electronically mediated exchanges between an organisation and its external stakeholders.

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

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

Direct-to-consumer communications and e-commerce

Prior to the option of online sales, many businesses sold through intermediaries such as wholesalers or retailers. The internet now offers new options for direct-to-consumer (D2C) communications and sales through e-commerce. Digital transformation projects will often involve prioritising investments needed for transactional e-commerce as part of a move to **digital business**.

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

E-commerce is often further subdivided into a **sell-side e-commerce** perspective, which refers to transactions involved with selling products to an organisation's customers, and a **buy-side e-commerce** perspective, which refers to business-to-business transactions to procure resources needed by an organisation from its suppliers.

Table 1.1 The 5S goals of digital marketing

Benefit of digital marketing	How benefit is delivered	Examples of typical objectives
Sell – grow sales	Includes direct online sales transactions and sales from offline channels influenced online	Achieve 10 per cent of sales online Increase online sales in product category by 20 per cent in one year
Speak – get closer to customers	Encourage interaction online using inbound marketing techniques such as search and social media marketing, and understand audience needs	Increase website visits or social media page followers by 10 per cent within one year
Serve – add value	Provide content and offers to encourage interactions leading to sales	Increase subscribers to newsletter by 10 per cent within quarter
Save – save costs	Reduce offline media spend and customer service through using organic inbound marketing techniques Reduce customer support costs by 'web self-service' where customers answer queries online	Reduce cost of customer acquisition by 10 per cent Reduce cost-to-serve per customer by 10 per cent
Sizzle – extend the brand online	Improve the customer experience by offering new digital value propositions, exclusive online offers and customer communities	Improve brand metrics such as brand awareness, brand familiarity, favourability and purchase intent

Source: Chaffey and Smith (2017)

Geyskens *et al.* (2002) suggested that digital channels can be effective in delivering incremental sales compared to other channels, arguing that there are three main forms of demand expansion for an existing company when it adopts direct internet channels. These are:

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

Digital marketing gives excellent opportunities to grow a business by entering new markets, as the Zalando™ mini case study 1.2 explains for an e-commerce brand.

Mini case study 1.2

Zalando exploits the power of digital media and distribution to grow a multi-billion-euro business in less than five years

Once a single-country startup inspired by the successful business model of **Zappos.com**, Zalando was founded in 2008 by David Schneider, Rubin Ritter and Robert Gentz, with an early loan of €75,000 from German venture capital firm Rocket Internet SE. Zalando has become a €6 billion company and Europe's top fashion retail platform. In 2008, Zalando served only Germany; five years later it was serving 15 European countries. By 2020 it had 32 million active customers and 13,000 employees.

Now, Zalando sells over 2,500 international and local brands, including international premium brands, as well as localised brands that are only available per country. For each of the 15 tailor-made websites per country it serves, it includes customised shipping, payment, fashion and marketing strategies unique to the culture and country. High-street stores have now been opened in large German cities.

The new Zalando campus in Berlin

Source: Scott Brinker

Zalando is popular and successful for many reasons, including a media, content, merchandising and localisation strategy applied to each country, an effective customer satisfaction programme and focus on the mobile

experience, which accounts for 80 per cent of 4 billion site visits each year. Mobile app users visit and purchase more often and have a higher Net Promoter customer satisfaction score. Investment in a superior digital experience is a key part of Zalando's strategy, summarised in Zalando (2020) as:

To become the starting point for fashion we aim to invest our economic surplus in our customer experience across assortment, digital experience and convenience to drive customer satisfaction and retention.

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

Source: Zalando (2020) and Zalando Investor Relations website

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

Social commerce is an increasingly important part of e-commerce for site owners, since incorporating reviews and ratings into a site and linking to social networking sites can help understand customers' needs and increase conversion to sale. It can also involve group buying using a coupon service, as with Groupon™. There is much discussion over the extent to which social media interactions between consumers directly influence sales. Digital marketing insight 1.1 outlines research hinting at the complexity of understanding this relationship. We introduce social media marketing later in this chapter.

Key challenges of digital communications

It is sometimes suggested by some suppliers of digital marketing services that they are 'quick, cheap and easy' to deploy. This is a great misconception since there are many challenges that need to be overcome when managing digital channels and campaign activities. Think of a Google Ads campaign as an example:

- **Complexity.** To enable benefits such as personalisation, testing and dynamic variation in ads through time – time has to go into configuring the campaign, although the search engines provide defaults to enable easy setup. This requires specialist expertise either in-house or at an agency to manage the campaign.

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

Research by GWI (2020), based on a global panel, shows how social media informs purchase decisions. It showed that younger age groups show significantly higher propensity to be influenced by social media compared to older age groups when asked to rate their impact:

- Discover brands/product via ads on social media (31 per cent of 16–24-year-olds compared to 19 per cent of 55–64-year-olds).
- Discover brands/products via recommendations on social media (26 per cent compared to 15 per cent).
- Research products online via social networks (50 per cent versus 25 per cent).
- Lots of likes/good comments would increase chance of purchase (27 per cent versus 13 per cent).
- A 'buy-button' would increase chance of purchase (14 per cent versus 6 per cent).

Source: GWI (2020)

- **Responding to competitors.** Since competitors can also change their approach readily, more resource has to be used to monitor competitor activity. Automated tools known as bid management tools can assist with this – they will automatically check amounts competitors are paying and then adjust them according to predefined rules.
- **Responding to changes in technology and marketing platforms.** Google and the other ad-serving companies innovate to offer better capabilities for their customers. This means that staff managing campaigns need training to keep up to date. Google offers 'Google Ads Qualified Professionals and Agencies' so that companies can be certain of a minimum skills level.
- **Cost.** Although costs can be readily controlled, in competitive categories the costs can be high, exceeding €10 per click.
- **Attention.** While online paid search ads are highly targeted and there is arguably little wastage, not everyone will view paid adverts; indeed there is a phenomenon known as 'banner blindness' where web users ignore online ads. Engaging with the audience through advertising is also a problem in social networks and other publisher sites, which can lead to a very low rate of people clicking on ads.

Introduction to digital marketing strategy

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

Target marketing strategy
Evaluation and selection of appropriate customer segments and the development of appropriate offers.

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

The key strategic decisions for digital marketing are in common with traditional business and marketing strategy decisions. As we will see in Chapter 4, which defines a process for developing a digital marketing strategy, customer segmentation, targeting and **positioning** are all key to effective digital marketing. These familiar **target marketing strategy** approaches involve selecting target customer groups and specifying how to deliver value to these groups as a proposition of services and products. As well as positioning of the core product or brand proposition, online development of a compelling *extended product* or **online value proposition (OVP)** is also important (see Chapter 4, p. 170). This defines how the online experience of a brand is delivered through content, visual design, interactivity, sharing, rich media and how the online presence integrates with the offline presence. All of the digital platforms referenced in this section have a clear, compelling OVP. Strategic decisions about the future OVP a brand offers is a key part of digital marketing strategy.

Key features of digital marketing strategy

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

- be aligned with business and marketing strategy (for example, many companies use a rolling three-year plan and vision), with more specific annual business priorities and initiatives;
- use clear objectives for business and brand development and the online contribution of leads and sales for the internet or other digital channels – these should be based on models of the number using the channels;
- be consistent with the types of customers who use and can be effectively reached through the channel;
- define a compelling, differential **value proposition** for the channel, which must be effectively communicated to customers;
- specify the mix of online and offline communication tools used to attract visitors to the company website, or interact with the brand through other digital media such as email or mobile;

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

- support the customer journey through the buying process as they select and purchase products using the digital channel in combination with other channels;
- manage the online customer lifecycle through the stages of attracting visitors to the website, converting them into customers, and retention and growth.

Business and revenue models

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

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

Different forms of functionality of digital presence

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

1 Transactional e-commerce

The website, app or social network enables purchase of products or services online and is typical in the retail, travel and financial services sectors. Transactional platforms can also support the business by providing customer service and information for consumers who prefer to purchase products offline.

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

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

The online presence focuses on providing information to stimulate purchase and build relationships. Products and services are not typically available for purchase online. Rather, this is typical in the business-to-business sector and for high-value or complex consumer products. Information is provided through the website and e-newsletters to inform purchase decisions. The main business contribution is through encouraging offline sales via generating enquiries or leads from potential customers. Such sites also add value to existing customers by providing them with detailed information to help support them in their lives at work or at home.

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

3 Brand-building

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

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

4 Publisher or intermediary site

Publisher or intermediary sites such as sites for comparing brands provide news, entertainment or tools and typically have an advertising or affiliate revenue model, as explained in Chapter 2. This is information both on the site and through links to other sites. These sites have a diversity of options for generating revenue including advertising, commission-based sales and sale of customer data (lists).

- Visit these examples: HuffPost™ (**www.huffingtonpost.com**) (B2C) and Smart Insights (**www.smartinsights.com**) (B2B). G2™ (**www.g2.com**) enables comparison of marketing technology services based on recommendations from users.

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

Stage models
Models for the development of different levels of digital services.

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

Transactional e-commerce sites
Sites that support online sales.

5 Social network or community

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

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

Challenges in developing and managing digital marketing strategy

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

- There are unclear responsibilities for the many different digital marketing activities (shown in Figure P.1 in the Preface).
- No specific objectives are set for digital marketing.

- Insufficient budget is allocated for digital marketing because customer demand for online services is underestimated and competitors potentially gain market share through superior online activities.
- Budget is wasted as different parts of an organisation experiment with using different techniques and martech suppliers without achieving economies of scale.
- New online value propositions for customers are not developed since the internet is treated as 'just another channel to market' without review of opportunities to offer improved, differentiated online services.
- Results from digital marketing are not measured or reviewed adequately, so actions cannot be taken to improve effectiveness.
- An experimental rather than planned approach is taken to using e-communications, with poor integration between online and offline marketing communications.

Research by Smart Insights (2021) investigated the challenges of managing digital marketing. It was found that many businesses do face challenges in these areas:

- **Planning.** Nearly half (48 per cent) of businesses surveyed do not have a defined digital plan or strategy although they are active in digital marketing, while more than half (63 per cent) also don't have a clearly defined integrated marketing communications strategy to align against.
- **Organisational capabilities.** Many businesses either have already introduced (27 per cent) or were planning to introduce (35 per cent) a digital transformation programme, although a substantial proportion (25 per cent) of businesses don't think it's relevant for them.
- **Integration of digital channels into marketing.** The survey also asked respondents to rate the maturity of their digital marketing across the customer lifecycle on a five-point scale. The majority of businesses were in categories 1 to 5. For example, for achieving sales online and/or offline, 68 per cent of businesses rated themselves at a maturity level of 1 or 2, while only 11 per cent rated themselves at the higher maturity level of 4 or 5.

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

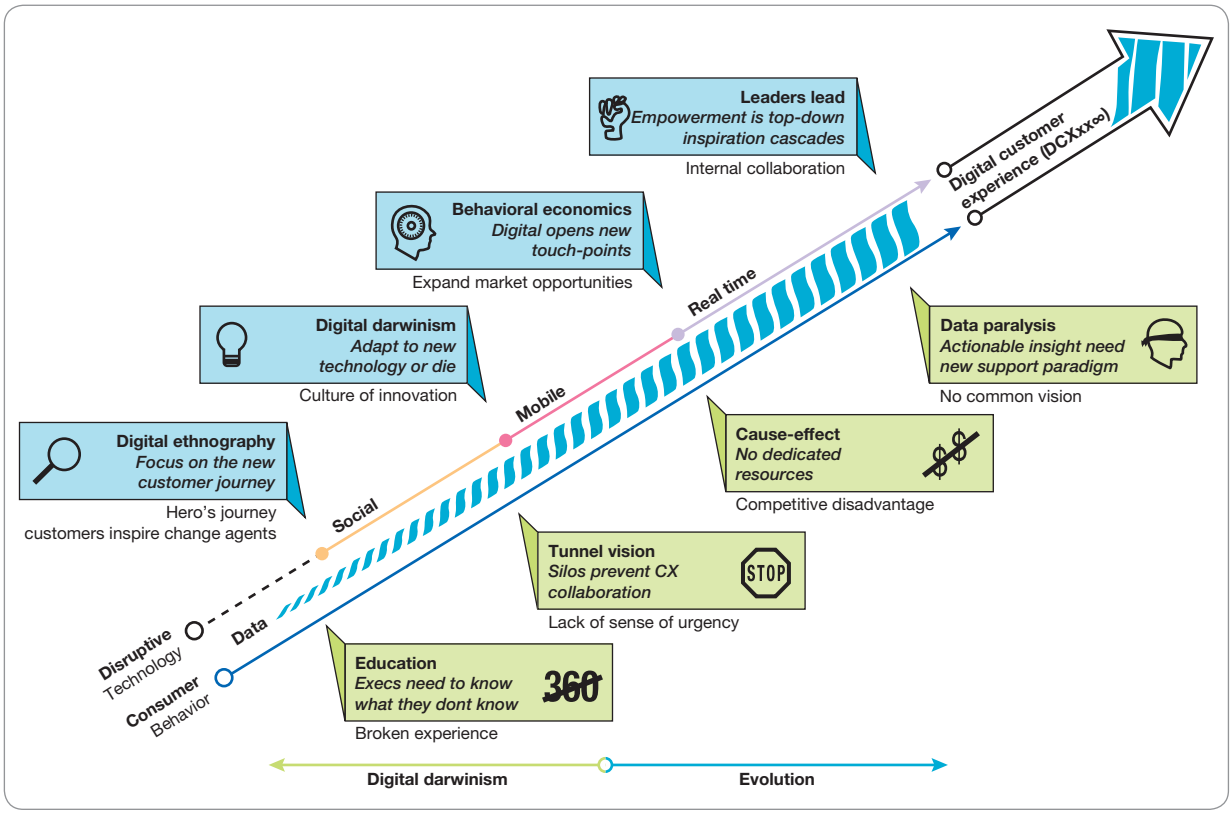
Given the future importance of digital marketing and new entrants that are **digital disruptors**, larger organisations have introduced digital transformation programmes to help manage these challenges. The approach has been discussed by many management consulting groups, for example MIT Center for Digital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

Solis (2014) produced a visual proposing enablers and barriers to digital transformation (Figure 1.4). It shows how disruptive digital technologies such as social media, mobile platforms and real-time marketing should be harnessed to create an effective digital customer experience. McKinseys's 7Ss remain a useful framework for reviewing an organisation's existing and future capabilities to meet the challenges posed by the new digital channels (as shown in Table 4.7).

A strategic framework for developing a digital marketing strategy

To realise the benefits of digital marketing and avoid the pitfalls that we have described, an organisation needs to develop a planned, structured approach. Consequently, this text defines a strategic approach to digital marketing that is intended to manage these risks and deliver the opportunities available from online channels. In Figure 1.5 we suggest a process for creating and implementing a strategic digital marketing plan that is based on our experience of strategy definition in a wide range of companies. This diagram highlights the key activities and their dependencies that are involved for the creation of a typical digital marketing strategy, and relates them to coverage in different chapters in this text.

Figure 1.4 The drivers and barriers to digital transformation



Source: Solis (2014)

A. Opportunity: defining the online opportunity

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

1 **Set digital marketing objectives** (Chapters 4 and 8). Companies need to set specific numerical objectives for their online channels and then resources to deliver these objectives. These objectives should be informed by and influence the business objectives and also the following two activities.

1a **Evaluate digital marketing performance** (Chapters 4 and 10). Apply web analytics tools to measure the contribution of leads, sales and brand involvement currently delivered by online communications such as search engine marketing, online advertising and email marketing in conjunction with the website.

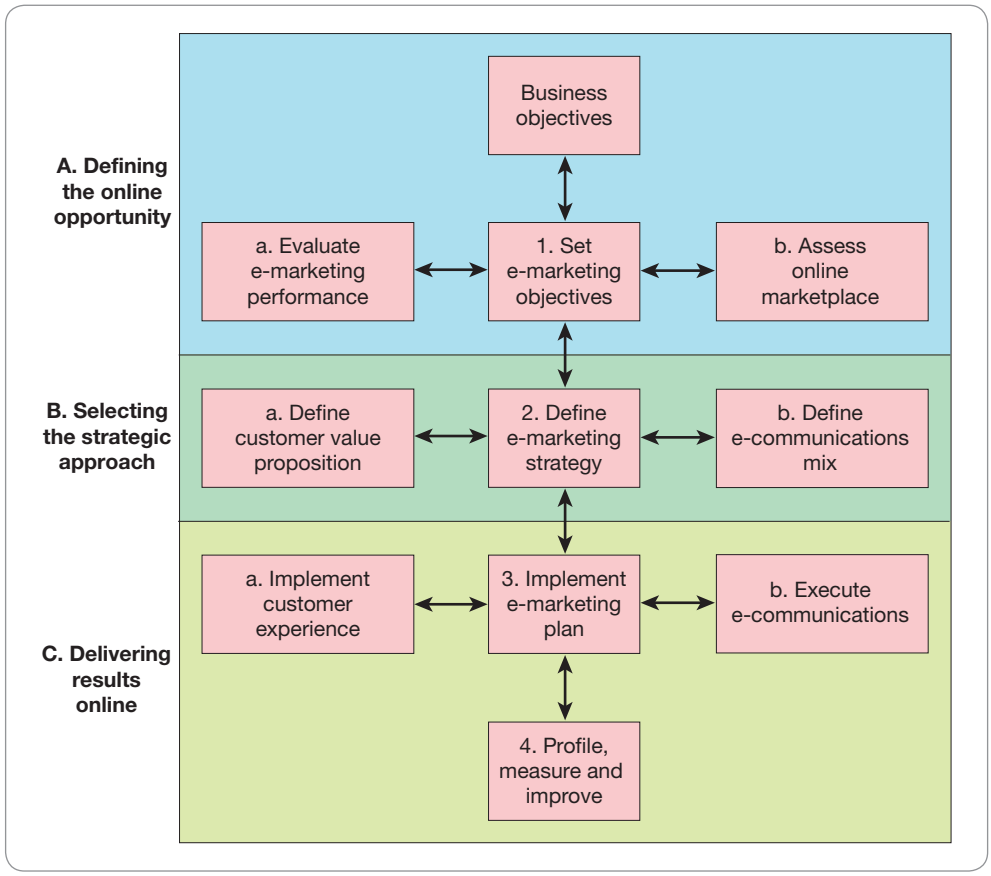
1b **Assess online marketplace** (Chapters 2, 3 and 4). Situation analysis review of the micro-environment (customers, competitors, intermediaries, suppliers and internal capabilities and resources) and the broader macro-environment that influences strategy, such as legal requirements and technology innovation.

B. Strategy: selecting the strategic approach

2 **Define digital marketing strategy** (Chapter 4). Select appropriate strategies to achieve the objectives set at stage A1.

2a **Define customer value proposition** (Chapters 4 to 7). Define the value proposition available through the online channel and how it relates to the core proposition

Figure 1.5 A generic digital marketing strategy development process



Note: 'e-marketing' is no longer commonly used in business, but is used here for brevity.

delivered by the company. Review segmentation and targeting options. Review the marketing mix and brand values to evaluate how they can be improved online.

2b **Define digital communications mix** (Chapters 4, 8 and 9). Select the offline and online communications tools to encourage usage of an organisation's online services and to generate leads and sales. Develop new outbound communications and event-triggered touch strategies to support customers through their relationship with the company.

C. Action: delivering results online

3 **Implement digital marketing plan** (Part 3). This details the implementation of the strategy.

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

3b **Execute digital communications** (Chapters 8 and 9). Manage the continuous online marketing communications such as search engine marketing, partnership, social media marketing, sponsorships and affiliate arrangements, and campaign-based e-marketing communications such as online advertising, email marketing and micro-sites to encourage usage of the online service and to support customer acquisition

and retention campaigns. Integrate the digital media channels with traditional marketing.

4 **Customer profiling** (Chapter 6), monitoring and improving online activities and maintaining the online activities (Chapter 9). Capture profile and behavioural data on customer interactions with the company and summarise and disseminate reports and alerts about performance compared to objectives in order to drive performance improvement.

You will see that in the process diagram (Figure 1.5) many double-headed arrows are used, since the activities are often not sequential, but rather inform each other; so activity 1, set digital marketing objectives, is informed by the activities around it but may also influence them. Similarly, activity 4, profile, measure and improve, is informed by the execution of online activities but there should be a feedback loop to update the tactics and strategies used.

Digital marketing audiences and buyer behaviour

Business-to-consumer (B2C)
Commercial transactions between an organisation and consumers.

Business-to-business (B2B)
Commercial transactions between an organisation and other organisations (inter-organisational marketing).

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

Consumer-to-consumer (C2C)
Informational or financial transactions between consumers, but usually mediated through a business site.

Consumer-to-business (C2B)
Consumers approach the business with an offer.

Metaverses
Online worlds where people can game, work and communicate in a virtual environment, typically supported by VR headsets, chat and video.

e-government
The use of internet technologies to provide government services to citizens.

How much time do you, your friends and family spend online each day? Naturally, it depends on many factors, but you'll know from the 'screen time' warnings on your smartphone that it's significant and growing, unless you have managed a 'digital detox'.

The advent of digital media has prompted changes to buyer behaviour and communications, which we introduce in this section. We also consider the new ways to target audiences.

It's helpful to start by distinguishing between interactions with consumers (**business-to-consumer, B2C**) and with other businesses (**business-to-business, B2B**).

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

Figure 1.6 gives examples of different companies operating in the business-to-consumer (B2C) and business-to-business (B2B) spheres. Often companies such as easyJet and BP™ will have products that appeal to both consumers and businesses, so will have different parts of their sites to appeal to these audiences.

Figure 1.6 also presents two additional types of transactions – those where consumers transact directly with other consumers (**consumer-to-consumer, C2C**) and where they initiate trading with companies (**consumer-to-business, C2B**). Common C2C interactions include transactional exchange (e.g. eBay™, **www.ebay.com**), financial services (e.g. Zopa™, **www.zopa.com**) and betting (e.g. Betfair™, **www.betfair.com**). In the early stages of the evolution of the web, Hoffman and Novak (1996) highlighted the potential importance of C2C interactions; the significance of their findings has been supported by the growth of social networks. More recently, Adjei *et al.* (2010) found how brand communities can be effective tools for influencing sales and retaining customers, and for building confidence in new customers. Digital platforms such as Facebook are touting VR-supported **Metaverses** for future C2C interactions (The Verge, 2021).

The significance of C2C interactions, which often involve creation of what is known as UGC or user-generated content, is illustrated in Activity 1.1.

Government and public-service organisations deliver online or **e-government** services. Employees can be considered as a separate type of consumer through the use of intranets, which is referred to as employee-to-employee or E2E.

As we will see in the next section, adoption of digital devices and platforms within consumer audiences differs widely based on age. An increasing number of people, including

Figure 1.6 Summary and examples of transaction alternatives between businesses, consumers and governmental organisations

To: Consumer of content/service	From: Supplier of content/service: *Consumer or citizen*	*Business (organisation)*	*Government*
Consumer or citizen	**Consumer-to-consumer (C2C)** • eBay • Peer-to-peer (Skype) • Blogs and communities • Product recommendations • Social networks (Facebook, Instagram, LinkedIn)	**Business-to-consumer (B2C)** • Transactional: Amazon • Relationship-building: BP • Brand-building: Unilever™ • Media-owned – News Corp • Comparison intermediary: Kelkoo™, Pricerunner™	**Government-to-consumer (G2C)** • National government transactional: tax – HM Revenue & Customs • National government information • Local government information • Local government services
Business (organisation)	**Consumer-to-business (C2B)** • Priceline • Consumer feedback, communities or campaigns	**Business-to-business (B2B)** • Transactional: Euroffice • Relationship-building: BP • Media-owned: Emap business productions • B2B marketplaces: EC21 • Social networks (LinkedIn)	**Government-to-business (G2B)** • Government services and transactions: tax • Legal regulations
Government	**Consumer-to-government (C2G)** • Feedback to government through pressure groups or individual sites	**Business-to-government (B2G)** • Feedback to government businesses and non-governmental organisations	**Government-to-government (G2G)** • Inter-government services • Exchange of information

Activity 1.1 Why are C2C interactions important?

Purpose

To highlight the relevance of C2C transactions to B2C companies.

Activity

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

Digital natives
Term used to describe people who have grown up with digital media and technology. Some consider this to include Millennials (Generation 'Y', born 1981 to 1996), who started using the web and smartphones in their teenage years, but strictly it starts with Zoomers or Generation Z (born 1997 onwards), who start using tablets or smartphones as soon as they can pick them up.

many readers of this text, are **digital natives** who grew up with technology. However, other generations have lower levels of adoption and may need the benefits of such adoption to be communicated. Even digital natives will face new technology to evaluate and adopt – smart speakers being a relatively recent example.

Benefits of digital media

In the section on digital marketing strategy, we described some of the applications of digital marketing to support communications with customers across the purchase cycle from generating awareness, achieving direct response for lead generation or sale and supporting

customer service and relationship marketing. In this section we explore key differences between digital media and traditional media that savvy marketers exploit.

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

1 Interactivity

Figure 1.7(a) shows how traditional media are predominantly *push media* where the marketing message is broadcast from company *to* customer, although interaction can be encouraged through direct response to phone, website or social media page. However, online it is often the customer who initiates contact and is *seeking* information through researching information on a website (Figure 1.7(b)). In other words, it is a '*pull*' mechanism where it is particularly important to have good visibility in search engines when customers are entering search terms relevant to a company's products or services.

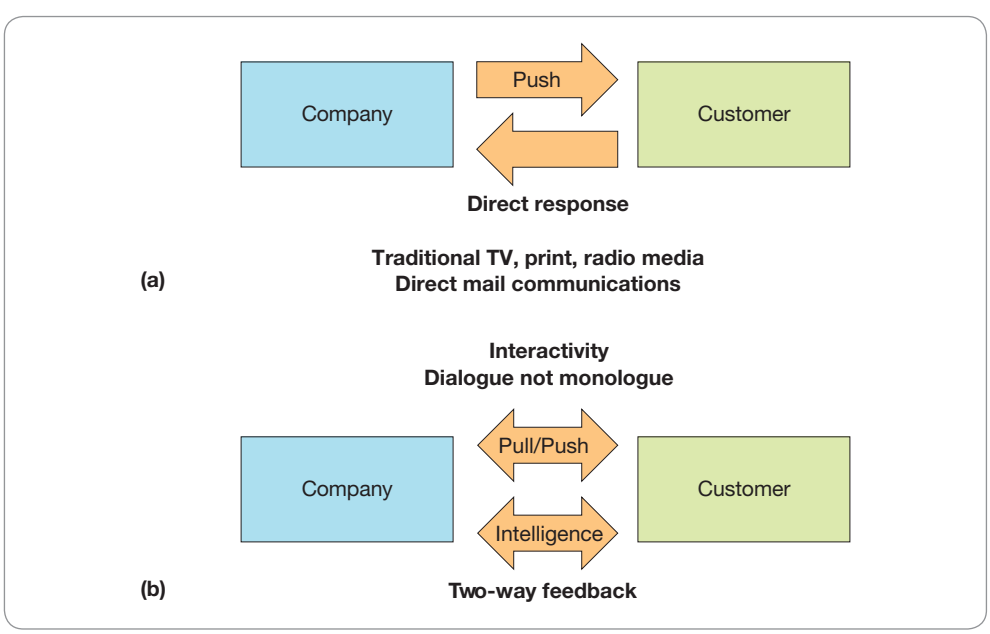
John Deighton was one of the first authors to identify these characteristics of a digital medium (Deighton, 1996):

- the customer initiates contact;
- the customer is seeking information or an experience (pull);
- it is a high-intensity medium – the marketer will have 100 per cent of the individual's attention when he or she is viewing a website;
- a company can gather and store the response of the individual;
- individual needs of the customer can be addressed and taken into account in future dialogues.

2 Intelligence

Digital media and technology can be used as a relatively low-cost method of collecting marketing research, particularly about customer perceptions of products and services, as described in Chapter 10, which reviews digital analytics and market research.

Figure 1.7 Summary of communication models for (a) traditional media, (b) new media



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

Personalisation
Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

Sense-and-respond communications
Delivering timely, relevant communications to customers as part of an automated contact strategy, based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's website, emails and staff.

Outbound digital communications
Website, mobile push notifications or email marketing are used to send personalised communications to customers.

Inbound digital communications
Customers enquire through web-based forms, social media and email.

Interactions with consumers across all the different customer touchpoints can be stored in **data lakes** or **data warehouses** to provide insight collectively known as 'Big Data'.

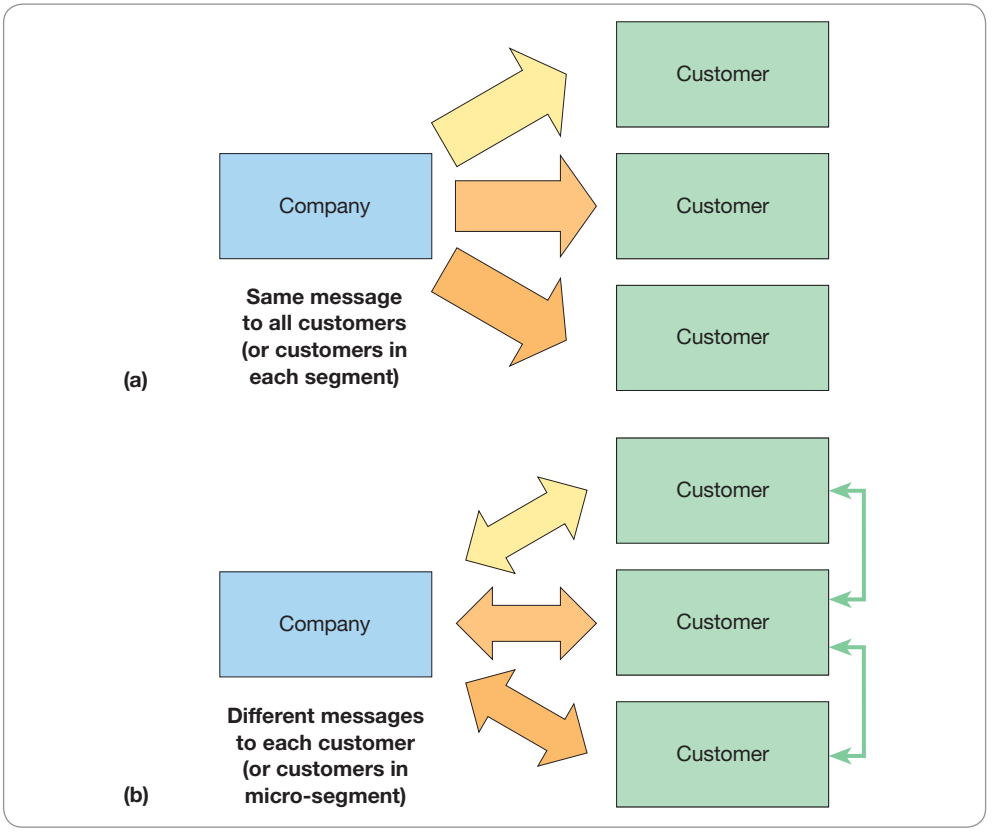
3 Individualisation

Another important feature of interactive marketing communications is that they can be tailored to the individual (Figure 1.8(b)) at relatively low costs, unlike in traditional media where the same message tends to be broadcast to everyone (Figure 1.8(a)). This individualisation is based on the intelligence collected about site visitors and then stored in a database and subsequently used to target and personalise communications to customers to achieve *relevance* in all media. The process of tailoring is also referred to as **personalisation** – Amazon is the most widely known example, where the customer is greeted by name on the website and receives recommendations on site and in their emails, based on previous purchases. This ability to deliver **sense-and-respond communications** is another key feature of digital marketing and is explored further in Chapter 6.

4 Integration

The internet provides further scope for integrated marketing communications. Figure 1.9 shows the role of the internet in multichannel marketing. When assessing the marketing effectiveness of a website, the role of the internet in communicating with customers and other partners can best be considered from two perspectives. First, there is **outbound digital communications** from *organisation to customer*. We need to ask how does the internet complement other channels in communicating the proposition for the company's products and services to new and existing customers with a view to generating new leads and retaining existing customers? Second, **inbound digital communications** from

Figure 1.8 Summary of degree of individualisation for: (a) traditional media (same message); (b) new media (unique messages and more information exchange between customers)



customer to organisation: how can the internet complement other channels to deliver customer service to these customers? Many companies have now integrated email response and website call-back into their existing call centre or customer service operation.

Some practical examples of how the internet can be used as an integrated communications tool as part of supporting a multichannel customer journey (Figure 1.10) are the following:

- The internet can be used as a direct-response tool, enabling customers to respond to offers and promotions publicised in other media.
- The website can have a direct-response or call-back facility built into it. The Automobile Association™, for example, has a feature where a customer service representative will

Figure 1.9 Channels requiring integration as part of integrated digital marketing strategy

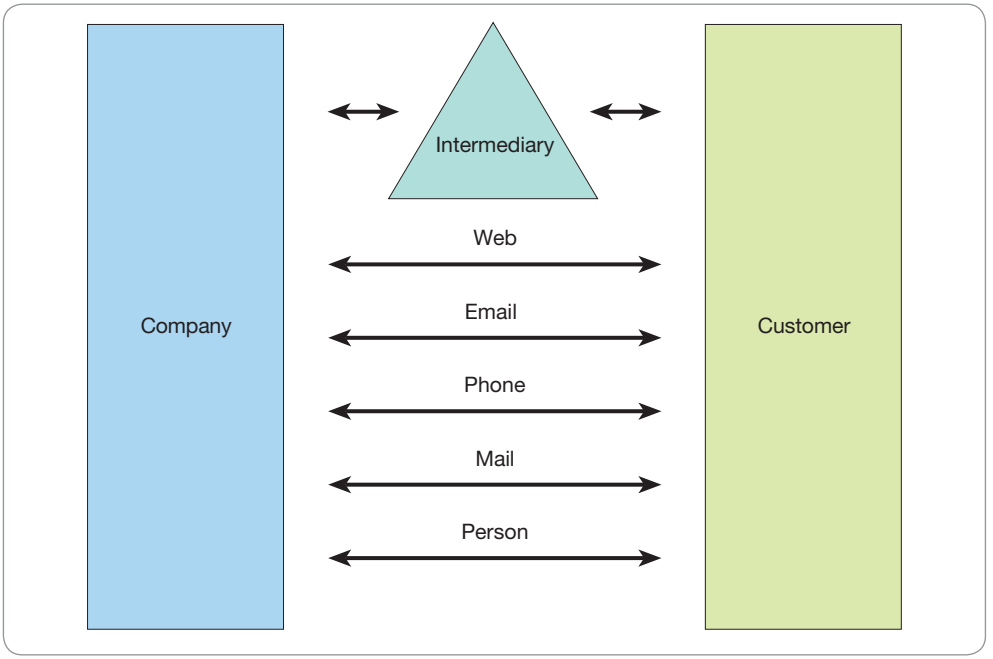
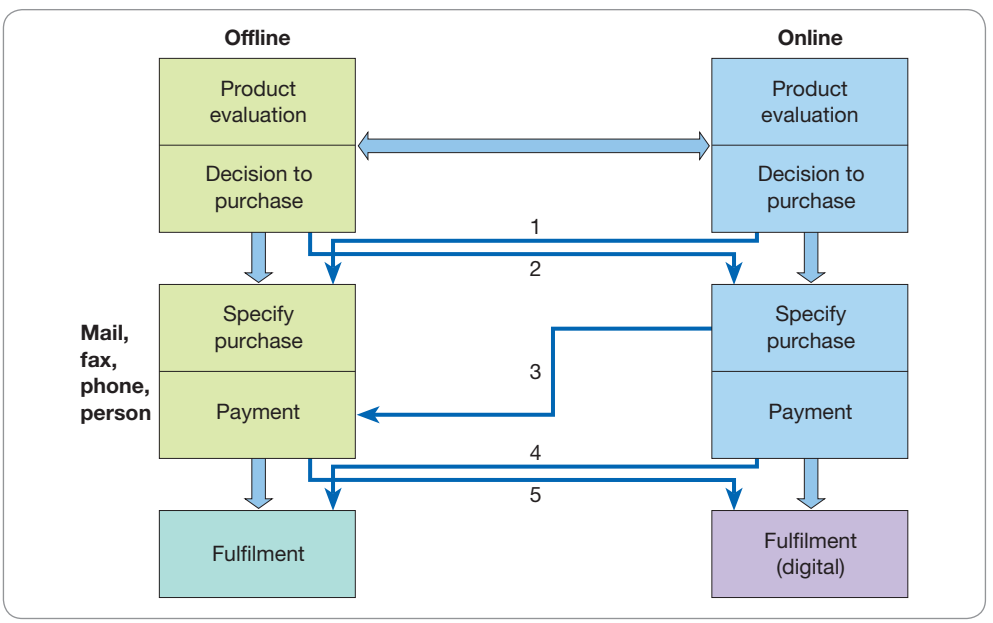


Figure 1.10 The role of mixed-mode buying in digital marketing



contact a customer by phone when the customer fills in their name, phone number and a suitable time to ring.

- The internet can be used to support the buying decision, even if the purchase does not occur via the website, through assisted selling via live chat or phone. For example, Dell™ has a prominent web-specific phone number on its website that encourages customers to ring a representative in the call centre for support.

5 Industry restructuring

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

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

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

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

6 Independence of location

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

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

- **Accountability.** Digital media are potentially more accountable through the use of measurement systems known collectively as web analytics. Google provides a free tool known as Google Analytics™ (**www.google.com/analytics**) to enable its advertisers to test the value generated from its ads.
- **Testing.** Potentially, testing becomes more straightforward at a lower cost with the option to trial alternative creative executions, messaging or offers. Google offers another free tool – Google Optimize – to test alternative landing pages.
- **Flexibility.** Campaigns can be more flexible, with the capability to change copy or offers during a campaign. Alternative ads can be served within Google to evaluate which works best. Google Ads also offers dayparting, where ads can be displayed at different times of the day.
- **Micro-targeting.** Alternative messages can be delivered for different audiences according to what they are searching for. Potentially a company can show a different advert in Google Ads for each term searched.

Activity 1.2 Integrating online and offline communications

Purpose

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

Activity

List communications between a PC vendor and a home customer over the lifetime of a product such as a PC. Include communications using both the internet and traditional media. Refer to the channel-switching alternatives in the buying decision in Figure 1.10 to develop your answer.

- **Cost-control.** Costs can be controlled for each group of search terms entered by customers through the search engine, managed collectively, and bids made can be increased or decreased with the aid of software.

Digital devices and digital platforms

To select relevant communications, it's useful for marketers to understand the context of use of digital media, i.e. how, when and why users are accessing the internet and how this may relate to other channels such as TV or print media. This can help determine investment decisions and there are options within paid media to vary the timing to test for ROI improvements since budgets won't enable us to target everyone. For example, to reduce wastage from targeting less-relevant audiences in digital media we can use:

- **device-specific targeting** to target users of a particular device, e.g. iPhone users;
- **dayparting** to target people when they are most likely to be active during the day or week. B2B marketers may downweight or stop spend during the evenings or weekends.

How many digital devices do you, your friends and family use? When the web first launched, very few had access and most likely it was through a desktop or laptop computer. The growth in smartphone usage changed when and where access occurred, with the majority of consumer usage now via smartphones and mobile apps.

When developing a strategic approach to digital media, it's useful to assess how demand for new devices among different audiences varies so we can assess the relevance of these devices for our marketing activities. Since adoption varies constantly, it's useful to consider key questions and sources, which we explore in Activity 1.3.

Activity 1.3 Understanding adoption of digital devices and platforms

Purpose

To reflect on the questions marketers should ask about consumer device and platform adoption and to share relevant sources to access this insight.

Context

You work in the innovation team for a cosmetic brand such as L'Oréal and are considering opportunities to add more interactive virtual and augmented reality (VR and AR) features to marketing communications aimed at increasing brand engagement and brand loyalty.

Activity

Identify the types of questions about device usage, media consumption and platform usage you would need to ask to gain insight on adoption within different age groups. Complete searches or access databases to identify useful sources for these types of questions.

Here are some examples of questions that you would seek to understand for different demographics such as age group, gender and income.

Device usage:

- How many devices?
- Adoption of device browsers or apps that support AR and VR. For example, for Apple or Android?

Media consumption:

- When are different types of media (and devices) used through the day?
- How popular are different mobile and desktop platforms for VR and AR?
- How common is multiscreening (where more than one device is used simultaneously)?

Platform usage:

- How popular are different social networks? Do they have support for interactivity?
- How many searches and what types of searches happen on Google?
- How does media spend compare between traditional and digital platforms?

Recommended resources: the digital marketing statistics sources section at www.davechaffey.com/book-support/

Digital platforms

Digital platforms are where the majority of online interactions occur. Despite the vast number of websites, access to these is mediated by search engines and social networks. So, to gain awareness and visibility, selection of digital marketing tactics requires knowledge of the latest communications options available via the digital platforms that online audiences use to interact. It's useful to review the FAMGA businesses here, since all offer organic and paid media options as part of their revenue model. Despite the choice available online, the dominance of a small number of platforms poses practical and ethical issues for marketers, which we explore further in Chapter 3. From a practical point of view, the majority of media spend is now online – mostly divided between what has been called the Facebook–Google duopoly. Perrin (2019) reports that within the United States and United Kingdom, more than 60 per cent of digital media spend is now with Facebook and Google. This has led to increased competition on these platforms, with auction-based media spend driving higher advertising costs. Many consider this situation and the limited tax paid by some of these companies anti-competitive and this has led to the anti-trust investigations in the United States and Europe. We consider the organic and paid media options for advertising on these platforms in Chapter 9.

Note that in some regions, such as Asia, the FAMGA businesses are less important, so options for reaching audiences on other dominant platforms are important. Plus, some sector-specific platforms may be important in particular sectors. For example, within the travel industry, TripAdvisor™ is used by so many consumers that marketers have to consider reviews and recommendations on this platform.

Digital media

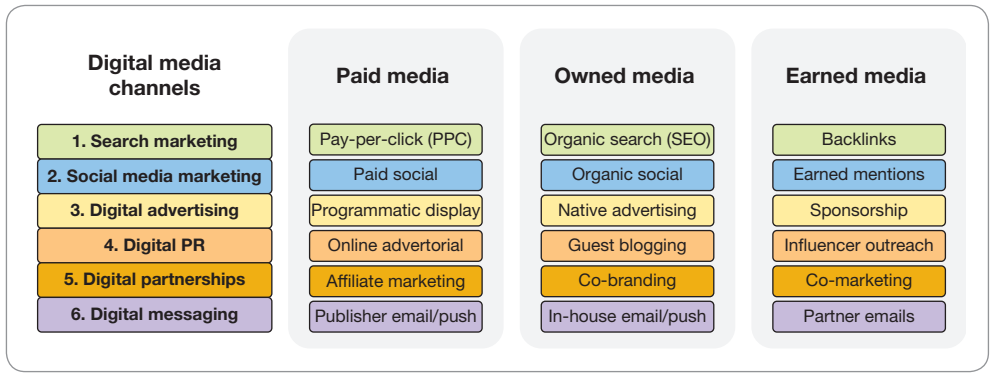
Digital media
Communications and interactive services based on digital content accessible through different technology platforms and devices including the internet, web, mobile phones, computers, TV and digital signage.

The use of **digital media**, data and technology to support marketing activities has given rise to a bewildering range of labels and jargon created by both academics and professionals. In this section we focus on introducing these different digital media concepts and explaining how they are applied together to meet marketing goals.

Introduction to digital marketing communications

For many years, marketing campaigns were centred on traditional media channels including TV, print and radio ads and direct mail supported by public relations. But, in a few short years, since the web concept was first proposed in the late 1980s by Sir Tim Berners-Lee,

Figure 1.11 Six categories of digital media channels or communications tools showing their relationship to paid, owned and earned media



Digital media channels
Online communications techniques using paid, owned and earned media to achieve goals of brand awareness, familiarity and favourability, and to influence purchase intent by encouraging users of digital media to visit a website or mobile app to engage with the brand or product, and ultimately to purchase online or offline through traditional media channels such as by phone or in-store. The six main channels include search engine marketing, social media marketing, email marketing, display advertising, public relations and partner marketing.

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

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

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

there have been huge changes in marketing communications. The digital equivalents of these traditional media, which are known as **digital media channels**, are vital components of most marketing campaigns today. We will see that marketers have many options for digital marketing communications techniques that can be used across different digital media channels.

Six key types of digital media channels

Marketers often use 'paid, owned and earned media' to describe investments at a high level, but it's more common to refer to six specific digital media channels when selecting particular always-on and campaign investments.

To simplify prioritisation, we recommend considering the paid, owned and earned options available within six digital media channels or communications tools, as shown in Figure 1.11. Combining the techniques in this way gives 18 digital communications techniques for businesses to consider. Companies with a limited budget for paid media can focus on owned and earned techniques.

Practical success factors and best practices for implementing these are explained in Chapter 9, where we review their advantages, disadvantages and practical best practices to make them more effective. The six main media channels available to any business (and paid, owned and earned media options within these) are:

1. **Search engine marketing.** Gaining visibility on a search engine to encourage click-through to a website when the user types a specific keyword phrase. Two key search marketing techniques are paid placements using **pay-per-click (PPC)**, and placements in the natural or organic listings using **search engine optimisation (SEO)** where no charge is made for clicks from the search engine. SEO can be considered owned media since it involves on-page optimisation by improving the relevance of content and technical improvements to the website to improve crawlability monitored through Google Search Console. SEO also has an earned media component where visibility in the search engines can be improved by getting relevant 'backlinks' from websites, which effectively count as a citation or vote.
2. **Social media marketing.** Includes both paid advertising on social networks and organic social media amplification where companies aim to gain visibility through content shared by social media feeds and pages that are owned media. Earned social media is where a brand or social update is shared by a publisher or partner.
3. **Display advertising.** Use of online ad formats such as banners and videos on publisher sites to achieve brand awareness and encourage click-through to a target site. These are usually considered as separate investments from paid search and paid social ads since **display ads** are typically displayed on publisher sites. Programmatic display refers

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

Email marketing
Typically applied to outbound communications from a company to prospects or customers to encourage purchase or branding goals. Email marketing is most commonly used for mailing to existing customers on a house list, but can also be used for mailing prospects on a rented or co-branded list. Emails may be sent as part of a one-off campaign or can be automated, event-based, triggered emails, such as a welcome strategy that can be broadcast based on rules about intervals and customer characteristics.

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

Social media marketing
Organic sharing and paid advertising using social networks and their messaging services to gain awareness and response from target audiences. Also involves facilitating and monitoring customer-to-customer and customer-to-company interactions and participation on social networks and other online communities where user-generated content is created.

to where media and target audiences are selected by trading or bidding against other advertisers. Native advertising involves paying to publish content that appears on a media site rather than a banner ad. It's similar to when companies pay for features on pages in newspapers. It's also similar to sponsorship, and in both cases there may be a long-term relationship where a brand pays for its name to be associated with a publisher or event.

4 **Digital PR.** Involves maximising favourable 'offsite' mentions of your company, brands and products by other organisations and people, especially media sites or influencers such as celebrities. These mentions may create name awareness, but have the benefit that they can also drive visits through links and support SEO through backlinks. These mentions may occur on publisher websites, blogs or social networks, and podcasts accessed by your target audience. Guest blogging involves writing an article for which no fee is charged on another business's website. It's often a reciprocal arrangement. Influencer outreach is used in both B2B and B2C communications. It usually refers to working with individuals rather than publishers to gain mentions through their social media, blogs or podcasts. Digital PR also includes responding to negative or positive online brand mentions and conducting public relations via a site through a social media news centre or blog, for example.

5 **Digital partnerships.** Creating and managing long-term arrangements to promote your online services on third-party websites or through website content and messaging. **Affiliate marketing** involves a commission-based arrangement where the advertiser pays only when a sale occurs. It's most applicable to the retail, travel and financial services sectors where an affiliate website will get paid for traffic when an online sale occurs. Co-branding is a paid or owned media technique where two brands are featured within email marketing or native advertising. Co-marketing is similar but it is a 'contra' arrangement, for which (usually) no fee is paid, when companies collaborate to share content with the aim of raising awareness and leads among the pooled audiences. For example, Dave Chaffey set up a co-marketing arrangement for publisher Smart Insights with martech vendor HubSpot, where joint research reports were created to raise awareness and generate leads for both brands. HubSpot has dedicated co-marketing managers in different regions to manage this activity, since the company views it as important.

6 **Digital messaging.** Traditionally, digital messaging to individuals who have subscribed to updates has focused on **email marketing**, which is still a commonly used digital media channel since it is cost-effective. However, email is used less by younger audiences who are more likely to subscribe to mobile push notifications from websites and apps. Digital messaging options include placing ads in third-party e-newsletters (paid media) or most commonly the use of an in-house list for customer activation and retention (owned media), or co-marketing techniques using other companies' newsletters. Buying or renting lists of email addresses is considered as a spamming technique and not permitted under the privacy legislation described in Chapter 3.

Regardless of the form of media, it's useful to consider the need for a relevant **landing page** on a website, so that when the audience clicks through to the site they see a relevant message rather than a home page.

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

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

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

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

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

Key communications concepts for digital marketing

In this section, we introduce fundamental digital marketing concepts that are significant opportunities provided by digital communications, built as part of digital marketing activities and often discussed by marketers. These are more readily achieved online compared to traditional media, but offline communications such as TV ads can also integrate with them. The concepts are:

1. Inbound marketing
2. Permission marketing
3. Content marketing
4. Digital audience engagement
5. Always-on lifecycle marketing communications.

1 Inbound marketing

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

Among marketing professionals, the digital media interactions discussed in Figure 1.11 are a powerful new approach to marketing, now commonly known as **inbound marketing** (Halligan and Shah, 2009) and referred to in Figure 1.7(b).

Inbound marketing is powerful since there are lower-cost organic options for which there is no media cost, including organic social media and search engine optimisation. Advertising wastage is reduced since we can target specific individuals when they are looking for products – they are proactive and self-selecting. But this is a weakness since marketers may have less control than in traditional communications where the message is pushed out to a defined audience and can help generate awareness and demand.

2 Permission marketing

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

Permission marketing is closely related to inbound marketing. It is an established approach to online marketing that is still highly relevant today as a practical foundation for generating online leads and audience engagement. 'Permission marketing' was a term first coined by Seth Godin. Godin (1999) noted that while research used to show we were bombarded by 500 marketing messages a day, with the fragmentation caused by the advent of digital media, this has now increased to thousands of messages a day. From an organisation's viewpoint, this leads to a dilution in the effectiveness of the messages – how can the communications of any one company stand out? From the customer's viewpoint, time is seemingly in ever shorter supply; customers are losing patience and expect reward for their attention, time and information. Godin refers to the traditional approach as **interruption marketing**. Permission marketing is about seeking the customer's permission before engaging them in a relationship and providing something in exchange. This classic value exchange is based on information or entertainment – a B2B site can offer a free report in exchange for a customer sharing their email address,

Interruption marketing
Marketing communications that disrupt customers' activities.

while a B2C site can offer a newsletter with valuable content and offers. Many retail sites today still feature an option to subscribe to a newsletter with a discount for first-time purchasers, since this is a practical method to gain potential customers. We cover the principles of permission marketing in more detail and with examples related to CRM in Chapter 6.

3 Content marketing

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

Success in permission marketing requires exceptional, compelling content. To emphasise the importance of content marketing to gaining permission, encouraging sharing and ongoing engagement through websites and social media, the concepts of **content marketing** and content strategy have developed to describe best-practice approaches to engaging audiences and achieving business outcomes through content. Previously, content was limited by the cost of printing and distributing brochures or direct mail, but these are no longer barriers, giving many more opportunities to engage audiences online through content in a rich variety of formats including web pages, downloadable guides, blog posts, social posts, videos, podcasts and interactive product selectors and quizzes.

You can see the challenge content strategy presents, since today there are so many different types of content delivered in different forms to different places on different access platforms, yet it is increasingly important to engage customers in digital media. Investment in managing content ideation, creation and distribution is needed to assess and define:

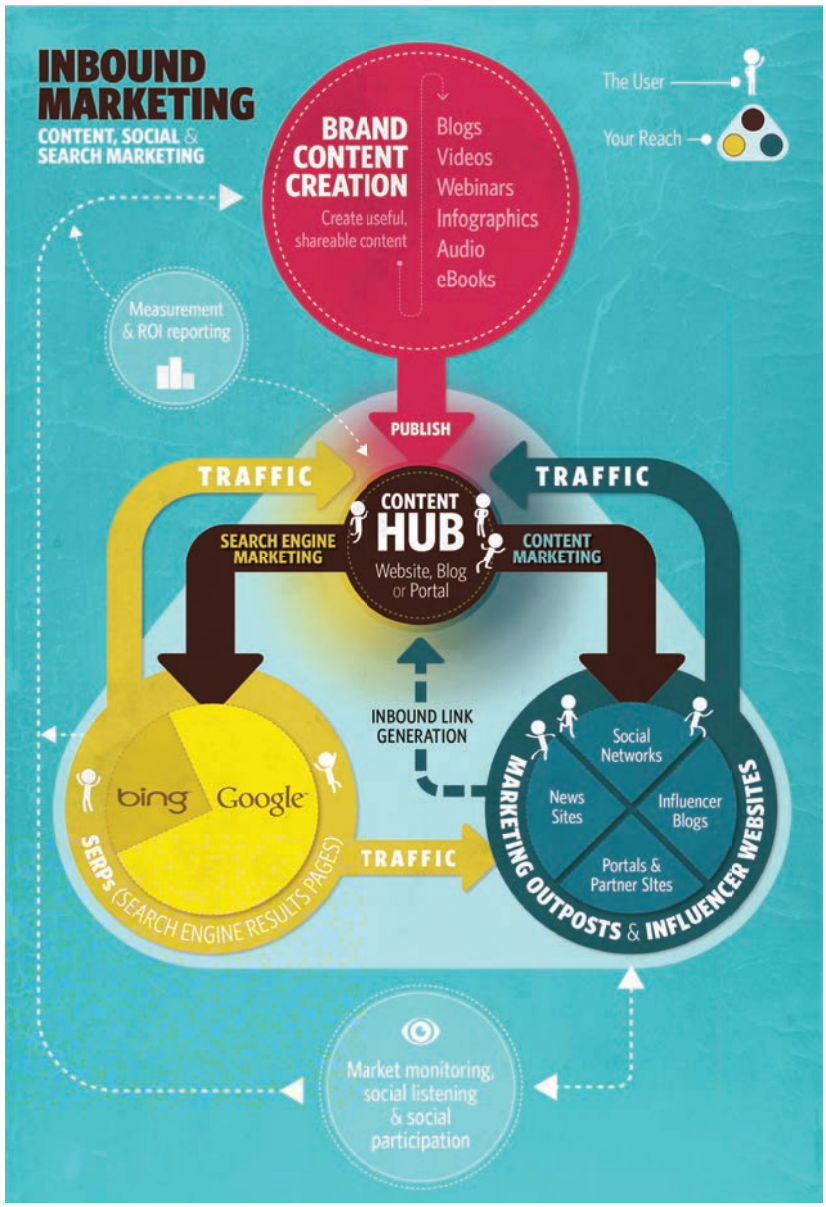
1. **Goals for content engagement value.** Which types of content will engage the audience and support conversion to a lead or sale? Is it simple product or services information, a guide to buying or using a product or service, that will engage your audience at different points in the lifecycle?
2. **Content media.** These include different text and rich media formats such as hosted and streamed video and audio.
3. **Content distribution.** Major distribution activities that are a key part of content marketing are paid promotion of content through ads, for example on Facebook, Google or LinkedIn, and free organic promotion through SEO and social media. PR using influencer outreach is also important. Content can also be automatically syndicated to different types of sites through feeds, APIs, microformats or embedded in sites through widgets displaying information delivered by a feed.
4. **Content interaction and participation.** Effective content today is not simply delivered for static consumption, it should enable interaction, commenting, ratings and reviews. These also need to be monitored and managed both in the original location and where they are discussed elsewhere.
5. **Content management platform.** Content needs to be managed by teams and provided to users on different digital devices. We explain how to audit content as part of the overall digital experience in Chapter 7.

Smart Insights (Bosomworth, 2012) explain the key elements of a content hub using the diagram shown in Figure 1.12, or, as they put it, a 'content marketing machine':

1. Create the right types of shareable content formats to meet customer interests and company commercial goals. The quality and range of content must be sufficient and sustained to compete. (In Chapter 8, the Smart Insights Content Marketing Matrix is presented as a method of reviewing the most appropriate content formats to use.)
2. A defined branded **content marketing hub** or repository for accessing all relevant content marketing assets.
3. Invest in seeding content and working with partner sites and influencers to increase awareness and sharing of content.
4. Content marketing should be aligned with search marketing and particularly search engine optimisation (SEO), since if there is a regular stream of quality content then Google will favour the site when searchers are looking for information or products.
5. The right people, process and tools need to be in place to monitor content and sharing effectiveness in social media. This should include following up on any comments from social media.

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

Figure 1.12 The content marketing hub



Source: Bosomworth (2012)

4 Digital audience engagement

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

In traditional 'push' media, there were few options for brands to interact with audiences directly. Digital media offers many more options for direct-to-customer (D2C) communications, but with the challenge of gaining 'cut-through' given the amount of content.

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

We need to be careful to define engagement precisely, since the term is often used loosely to describe short-term audience engagement with a single communication, such as when a prospect engages with a single landing page, email or social media update. While this short-term interaction is important to boost response from these communications, what is

arguably more important to business success today, and far more challenging, is *long-term engagement through time with our prospects, customers and subscribers*.

Adestra (2017) describes customer engagement as:

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

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

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

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

To be successful in marketing communications today requires marketers to develop a deep understanding of digital audiences, which includes the insights on customer characteristics and behaviour we cover under the section on 'Digital data' and in Chapter 6 covering data-driven relationship marketing. Developing good customer insights to understand your audiences and then targeting them with more relevant communications and offers has always been a fundamental of marketing.

Always-on lifecycle marketing
A planned approach to scheduling and optimising continuous marketing activities that support customer acquisition and retention. These activities aim to maximise visibility and persuasion throughout the customer lifecycle for all the activities we have covered in this section.

5 Always-on lifecycle marketing communications

In the pre-digital era, marketing activities were planned in campaign 'bursts' around new product launches and promotions. To be effective, digital marketing needs a change in mindset so that businesses invest sufficient time and budget into defining and optimising what are known as **always-on lifecycle marketing** activities, which can be used in an integrated way to maximise visibility and conversion through the customer lifecycle.

Retargeting
Ads that are served to people who have previously interacted with a brand, for example through visiting a website, social media profile or searching. In Google Ads, retargeting is known as remarketing. Sometimes also applied to email follow-up based on interaction.

Figure 2.1 (see Chapter 2) summarises different types of always-on communications to support customer acquisition and retention. Often, in our experience, the opportunity of some of these always-on activities may have been missed because they haven't been planned or optimised and this will lead to lower conversion rates. For example, it's common for businesses that are new to digital marketing to not set up **retargeting**, which enables them to deliver 'reminder' ads that you may have seen after you have visited a website.

We will explain some of the terms further in the next section.

Digital data

The last two core digital marketing concepts that we will cover in this introduction help support and integrate the other concepts. The responsibility for managing and investing in these to deliver value from them is sometimes unclear, so it is useful to define specific responsibility for them.

Digital analytics
Data analysis techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction research, leads and sales. Formerly known as web analytics when it was limited to website data.

The value of digital data to organisations is when it is transformed into structured information that can be used to support decisions and knowledge applied. The process of creating value from data about digital interactions is known as **digital analytics**. It was formerly known as web analytics, since it related only to websites, but is now used more broadly.

Since harnessing digital data effectively is important to improving digital marketing, we highlight the use of different measures and tools throughout, exploring it in more detail in Chapter 10, where we explain the applications of digital analytics and tools such as Google Analytics, which is freely available to all businesses with a website, to review and improve the use of their digital marketing.

Digital data helps support the other concepts of digital marketing as follows:

- **Digital goals.** Data is used to create forecasts of returns on digital media and report performance through digital dashboards (as described in Chapters 4 and 10).
- **Digital audiences.** Since online interactions of consumers with organisations are recorded, this gives us the potential to learn more about consumer characteristics and behaviour (as explored in Chapter 2). Consumers may have concerns about how their data is used and this is controlled by privacy law, so it's important for businesses to give consumers a choice of how their data is used and comply with the laws we review in Chapter 3.
- **Digital devices.** Digital analytics tools like Google Analytics can give us insight into which device, screen resolution and browser are being used to access a website or mobile app.
- **Digital platforms.** Digital analytics can also give insight into which platforms visitors are referred from to a website. For example, a visitor arriving from Facebook, Google or LinkedIn will be recorded when tracking is set up correctly (as explained in Chapters 8 and 10).
- **Digital media.** Likewise, visits referred from other websites such as media sites or blogs will also be recorded in digital analytics. Again, tracking has to be set up to gain the best insights. We will see that visits referred from social media or email marketing require specific tracking codes to be set up. Detailed insights are available into the search terms visitors use to reach a website. Since conversion to a lead or sale may potentially occur across multiple visits referred from different media and different devices such as smartphone or desktop, it's important to assess how different media support each other through integrated communications. We consider how **digital media attribution** is used to achieve this in Chapter 8.

Digital media attribution
A digital analytics technique for assessing the contribution of different media channels such as advertising, search, social or email marketing to conversions and value generated from website visitors.

To understand different types of digital data and their value, it's useful to consider different forms of customer data that can be collected and analysed during the course of customer journeys. The main types of data relate to the characteristics of a customer, known as the customer profile, and their behaviour. The profile recorded in a customer database typically includes disclosed data such as a name, email address and date of birth, plus inferred data such as a predicted lifetime value. The profile may also include communications preferences such as whether the customer wants to be contacted by email or phone, or the frequency and topic of email updates.

Think about the process by which you may select a holiday online over a period of time. You may know exactly where and when you want to travel and where you want to stay, and book in a single visit to a travel website. More likely, you may make several visits to the site prompted by different media following a search or interacting with social media or email. For each visit it's likely you will view multiple pages about destinations, hotels and options to travel. Before you decide on your destination you may sign up for an e-newsletter to hear about offers. You will likely give your name, email address and nearest airport. You may also follow the brand on Facebook and Instagram. At a later point, you may book a holiday after responding to an offer you viewed on email or social media.

You can see that many different types of data will be collected for each customer. To gain insight from this diverse data requires that the goals for analysing the data are established and the quality of the data is known to be reliable. To collect and visualise the data at an aggregate level across many customer interactions and sales will require different forms of technology, which are collectively known as marketing technology.

Digital marketing technology

Technology plays a strong supporting role within digital marketing. Since the advent of the World Wide Web in the 1990s, many marketing and digital marketing technology services have been created to support digital marketing activities. They typically combine two main functions. Some, such as Google Analytics, focus on providing insight for the marketer on

Marketing technology (martech)
Software services and tools used to run marketing operations to support marketing communications goals including customer acquisition, conversion, retention and team communications, and to deliver customer and market insight and reporting.

digital marketing effectiveness, while others focus more on running operational marketing processes to deliver more relevant messages to audiences. Collectively these are now called **marketing technology** (martech for short). Many of these are now cloud-based software-as-a-service tools (SaaS) that don't require software to be installed within a business, but the insight and management controls are accessed via a browser. For example, Google Analytics enables businesses to measure their website effectiveness and also test and personalise experiences with Google Optimize. Likewise, content management systems for editing content are now accessed via browsers and contain insight on engagement with content, with options to personalise experiences.

There are now over 8,000 potential martech tools that businesses can use, as identified by Scott Brinker (Brinker, 2020). Research by BDO (2019) estimated that the combined UK and US marketing technology sector is worth $65 billion and martech could be worth up to $121.5 billion globally. The report suggests that, on average, around 20 per cent of marketing budget in the United Kingdom is spent on marketing technology, increasing to 30 per cent in North America. It begs the question of how many businesses are getting ROI, and taking time to fully customise martech to their businesses and ring-fence time for analysis of the insights.

The choice of available martech, its potential cost and uncertainty about return on investment presents a challenge to businesses that want to take advantage of the operational support and insight, but only want to select a limited number of tools and integrate the data from them. It can be difficult for newcomers to digital marketing to understand the options and the best types of solutions. To help understand the types of marketing technology and the latest approaches, complete Activity 1.4.

We will reference relevant technology to support marketing activities throughout this text, explaining the options for auditing a martech stack in Chapter 3.

To conclude this chapter, read Case study 1 about the failure of **Boo.com™**. We can learn from studying the mistakes of others, and have chosen this classic example since it shows what can happen when a company does not understand the marketplace and does not have clear goals. At the end of the case study, we contrast **Boo.com** with the latest fortunes of **Boohoo.com**, an online clothing retailer that has used digital marketing and acquisition of other retailers to achieve a profitable business with a turnover of more than £1 billion.

Activity 1.4 The latest marketing technology landscape

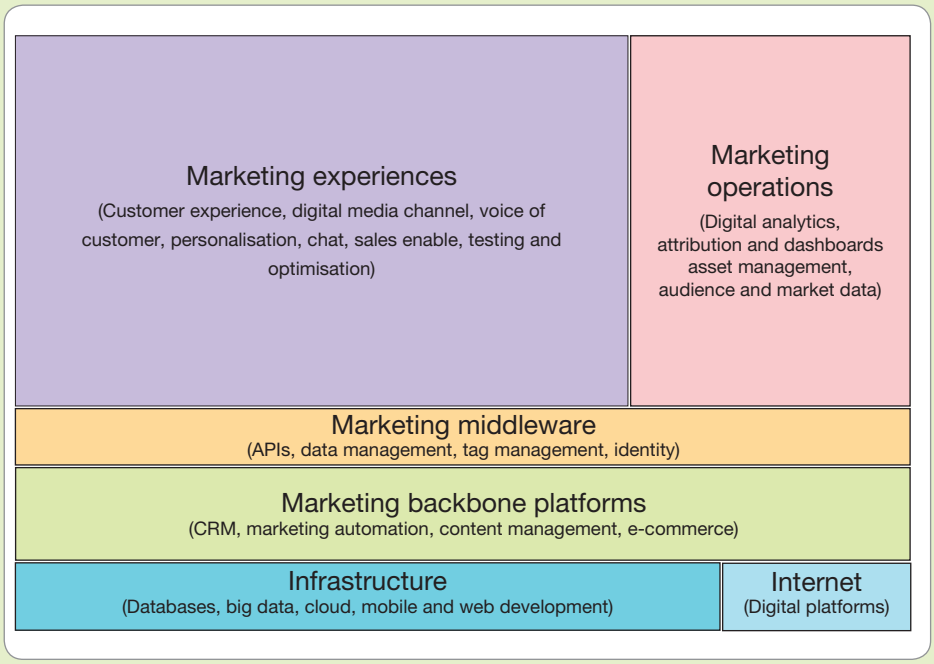
Purpose

To illustrate the range of systems available to support marketers and to explain the main categories of service available. We look at different forms of martech to support marketing throughout the text and there is a dedicated section in Chapter 3.

Activity

1. Search for Scott Brinker's latest marketing technology 'Supergraphic' similar to that from Brinker (2020) for the current year on his **chiefmartec.com** site. For each of the six categories of service he identifies, summarised in Figure 1.13, write a simple description of how they can support digital marketing activities by reviewing the proposition as described on the websites of the most popular services in the category (the most popular are listed first).
2. Make a note to understand the different types of service defined in each category.
3. Choose one or two vendor systems and visit their websites to see how they explain the proposition and explain it to others in your group(s). Alternatively, identify the most popular service(s) in each category.

Figure 1.13 Scott Brinker's categorisation of modern marketing technology options



Source: **Chiefmartec.com**

Case study 1 Boo hoo: learning from Boo.com – the largest European dot.com failure and the success of Boohoo.com

Context

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

The **Boo.com** case remains a valuable case study for all types of businesses, since it doesn't simply illustrate the challenges of managing e-commerce for a clothes retailer, but also highlights failings in e-commerce strategy and management that are still frequently made in different organisations.

Company background

Boo.com was founded in 1998 by three Swedish entrepreneurs, Ernst Malmsten, Kajsa Leander and Patrik Hedelin. Malmsten and Leander had previous business experience in publishing, where they created a specialist publisher and had also created an online bookstore, **bokus.com**, which in 1997 became the world's third-largest book e-retailer behind Amazon and Barnes & Noble. They became millionaires when they sold the company in 1998. At **Boo.com**, they were joined by Patrik Hedelin, who was also the financial director at bokus, and at the time they were perceived as experienced European internet entrepreneurs by the investors who backed them in their new venture.

Company vision

The vision for **Boo.com** was for it to become the world's first online global sports retail site. It would be a European brand, but with a global appeal. Think of it as a sports and fashion retail version of Amazon. At launch it would open its virtual doors in both Europe and America with a view to 'amazoning the sector'. Note, though, that

Amazon did not launch simultaneously in all markets. Rather it became established in the United States before providing local European distribution.

The Boo.com brand name

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

Target market

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

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

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

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

However, Dominic Dudley (2005) does note some reservations about this market, saying:

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

The Boo.com proposition

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

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

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

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

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

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

Communicating the Boo.com proposition

Early plans referred to extensive 'high-impact' marketing campaigns on TV and in newspapers. Public relations were important in leveraging the novelty of the concept and human side of the business – Leander was previously a professional model and had formerly been Malmsten's partner. This PR was initially focused within the fashion and sportswear trade and then rolled out to publications

likely to be read by the target audience. The success of this PR initiative can be judged by the 350,000 email pre-registrations who wanted to be notified of launch. For the launch, Malmsten *et al*. (2001) explain that 'with a marketing and PR spend of only $22.4 million we had managed to create a worldwide brand'.

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

The challenges of building a global brand in months

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

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

Making the business case to investors

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

When the site launched on 3 November 1999, around 50,000 unique visitors were achieved on the first day, but only 4 in 1,000 placed orders (a 0.4 per cent conversion rate). This shows the importance of modelling conversion rates accurately. This low conversion rate was also symptomatic of problems with technology. It also gave rise to negative PR. One reviewer explained how he waited: 'Eighty-one minutes to pay too much money for a pair of shoes that I still have to wait a week to get?' These rates did improve as problems were ironed out – by the end of the week 228,848 visits had resulted in 609 orders with a value of $64,000. In the six weeks from launch, sales of $353,000 were made and conversion rates had more than doubled to 0.98 per cent before Christmas. However, a relaunch was required within six months to cut download times and to introduce a 'low-bandwidth version' for users using dial-up connections. This led to conversion rates of nearly 3 per cent on sales promotion. Sales results were disappointing in some regions, with US sales accounting for 20 per cent compared to the planned 40 per cent.

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

The end of Boo.com and the emergence of Boohoo.com

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

A *Financial Times* article (Robinson, 2014) features an interesting retrospective comparing **Boo.com** and **Boohoo.com**, and gives insights from the **Boo.com** founders.

> *Apart from the similarity of the name, there is no link with* **Boo.com***, the fate of which it will be hoping to avoid. Founded by Kajsa Leander and Ernst Malmsten,* **Boo.com** *was a fashion retailer ahead of its time. Notably, it was ahead of the capabilities of most people's dial-up modems, meaning that the site took a long time to load – a problem eased for* ***Boo.com****'s successors with the advent of broadband. Since the spectacular implosion of their company 14 years ago, the founders of* ***Boo.com*** *appear to have put their failures behind them. Kajsa Leander, a poetry enthusiast and former Vogue model, is now living in Stockholm and working for an advertising studio she co-founded with her husband, Joel Berg. Mr Berg is a former art director for Benetton, which was an investor in* ***Boo.com****.*
>
> *Ernst Malmsten is the chief executive of Lara Bohinc, a London-based luxury accessories company. He joined after meeting Ms Bohinc, the Slovenian-born jeweller and founder, at a picnic. "I've always been interested in design, but one thing I've learned from* **Boo.com** *is that I don't like to be in the limelight," Mr Malmsten says.*
>
> ***Boo.com*** *"had a great business model, but we were too early and trying to do too much too quickly". Nowadays, Mr Malmsten appreciates the slower pace and smaller scale of Lara Bohinc, but his enthusiasm for technology is undimmed.*
>
> *The lesson he learnt from* ***Boo.com*** *was that businesses should "ensure you have enough money to survive in bad times, if there's a correction". The dot-com veteran is agnostic about whether the latest eye-popping valuations mean the market is in a bubble. He thinks the timing is better for businesses such as AO and Boohoo – but observes that the costs of starting an ecommerce company have come down, and the rapid rate of technological change means businesses can quickly lose out to more nimble competitors. "It's like Darwin said: the strongest and fastest survive," Mr Malmsten says.*

Readers will likely be more familiar with **Boohoo.com** as an online retail brand based in Manchester owned by the Kamani familty. It floated on the public stock market in 2014 as described in the article, when it had 2 million consumers and over 200 staff.

The article explains:

> *The Kamanis hail from Manchester. Their father, Abdullah, came to northwest England in the 1960s, escaping war-torn Kenya with a wife and four children in tow. Abdullah got involved in the clothing trade, founding brands such as Pinstripe Clothing, Starsign and Jogo, which his children worked for. Mahmud, Abdullah's son, set up* ***Boohoo.com*** *in 2006 with Carol Kane, who also worked for Pinstripe and joined* ***Boohoo.com*** *as co-chief executive. Going into the float, Mahmud, co-chief executive who calls himself a "deal junkie", is the largest shareholder with a little more than 50 per cent of the group. The business was a family affair until it pepped up its board with experience from public listed companies before the float.*

Boohoo's core products include dresses and tops, with a selection of over 36,000 styles of own-brand clothing to appeal to a core market of 16–30-year-olds.

The **Boohoo.com** 2020 Annual Report (Boohoo, 2020) shows how the business has continued to prosper following flotation and with the purchase of other clothing retailers, including PrettyLittleThing and Nasty Gal who target a similar demographic. The report summarises performance as:

- 8.9 million active customers at Boohoo, 6.3 million active customers at PrettyLittleThing, 1.8 million active customers at Nasty Gal;
- group revenue £1.235 billion;
- group international revenue 45% of total;
- group gross margin 54.0%.

The annual report summarises the key characteristics of the group's brand and activities, which it believes are responsible for its success. Many of these are the opportunities of digital marketing that **Boo.com** originally sought to take advantage of, albeit with a different target audience.

> **CHALLENGING THE FASHION MARKET**
> *Our high growth rate shows we understand what customers want. We operate in an efficient and profitable way, delivering value to our stakeholders. We invest to create a sustainable business.*
>
> **RESPONSIBLE**
> *We operate with responsibility towards all our stakeholders – including our customers, employees and partners – and in a sustainable way to reduce environmental impact.*
>
> **INSPIRED**
> *With a finger on the pulse of fashion, we spot the latest trends from all over the world.*

GLOBAL
We operate in a global market, unhindered by borders, languages and physical presence.

CONNECTED
Through a large social media following, we connect with millions globally.

FAST
Hundreds of new products added daily and top sellers are re-bought within days.

The marketing communications strategy of Boohoo (including the boohooMAN sub brand) is summarised as a 'balanced mix of social media influencers, celebrity endorsements, digital acquisition and retention, PR and above-the-line brand campaigns'. A case study by agency Red Cow Media (Red Cow Media, 2019) shows the importance of digital advertising, which was used to support growth objectives including:

- growth in the highly competitive US market;
- retargeting within extremely defined user segments;
- expansion into France as a test project for Europe;
- relaunch of boohooMAN alongside new website.

The paid media investment included social media advertising to acquire new customers, social media advertising to attract lapsed customers, Facebook and Instagram dynamic retargeting and general web retargeting.

The report also highlights the importance of engagement through social media with its customers, stating that:

> *Through two-way social media contact, we recruit, connect with and constantly learn from our brand evangelists.*

It also highlights other online success factors. Boohoo has a number of country-specific websites, several of which are translated into local languages, and further site launches and translated foreign-language sites are planned. International marketing is supported by in-country experts to ensure that 'we speak to customers with effective, localised campaigns and content'.

Boohoo.com focuses on engaging non-product content through 'The Fix' subdomain **(https://thefix.boohoo.com/)**, which includes fashion tips, style videos including TikTok and blogger articles, and enables users to make their own contribution. *The Style Fix* is a regular newsletter/online magazine available through the website and distributed by social media and email marketing. The company has invested in visual AI, popular payment methods and virtual assistants to offer a more satisfying customer experience. Focus on excellent customer service is supported by an 'excellent', 4.5 star rating on the Trustpilot consumer review site. In 2020, boohooMAN launched its first ever video game to mark the launch of a collection with rapper Quavo, where the player must navigate the rooftops of Los Angeles collecting coins and pieces from the boohooMAN x Quavo Season 2 collection. By scoring points, customers can unlock promotions and prizes, and any players scoring over 2,000 points will be entered into a prize draw for the chance to win over $1,000.

The worldwide social media audience in 2020 included over 7 million Instagram followers, 3 million Facebook followers and $^1/_2$ million TikTok followers for Boohoo. Both local brand ambassadors and celebrities such as Jordyn Woods and four Victoria's Secret models are used as global ambassadors.

The importance of a data-driven approach to marketing is acknowledged since the report states that 'marketing strategy is constantly reviewed and re-aligned in response to data analytics that monitor its effectiveness'.

In 2020 the fortunes of **boohoo.com** took a different turn when the COVID-19 pandemic highlighted the ethics of 'fast fashion' with their sourcing their clothing by paying low wages to the people making the clothes. The firm's shares lost 46 per cent of their value by mid-July 2020 after *Sunday Times* allegations about a supplier's failure to protect workers in Leicester and investigations into sourcing in Asia.

Source: Prepared by Dave Chaffey from original sources including Boohoo (2020), Malmsten *et al*. (2001), Margolis (1999) and Robinson (2014)

Questions

1. Discuss which strategic marketing assumptions and decisions led to **Boo.com**'s inevitable failure.
2. Compare and contrast the marketing strategy of **Boo.com** with **Boohoo.com** and suggest what made the difference between success and failure.
3. Use the framework of the marketing mix (see Chapter 5) to appraise the marketing tactics of **Boo.com** and **Boohoo.com** in the areas of product, pricing, place, promotion, process, people and physical evidence.
4. In many ways, the vision of Boo's founders was 'ideas before their time'. Give examples of e-retail techniques adopted by Boo to create an engaging online customer experience that are now commonplace.

Summary

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

Exercises

Self-assessment exercises

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

7 Distinguish between social media marketing, inbound and content marketing.
8 How can digital marketing be used to develop new markets and penetrate existing markets? What types of new products can be delivered by the internet?

Exam and discussion questions

1 Some would see digital media primarily as a means of advertising and selling products. What are the opportunities for digital marketing?
2 'Digital marketing and inbound marketing represents a pull medium for marketing rather than a push medium'. Discuss.
3 You are a newly installed marketing manager in a company selling products in the business-to-business sector. Currently, the company has only a limited website containing electronic versions of its brochures. You want to convince the directors of the benefits to the company of investing in the website. How would you present your case?
4 Explain the main benefits that a company selling fast-moving consumer goods should gain from its website and integrated digital campaigns.
5 Which digital marketing techniques can be used to increase awareness of a brand and encourage interaction with the brand?

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter cover media sites that focus on the latest developments in digital marketing.

2 Online marketplace analysis: micro-environment

Learning objectives and topics

After reading this chapter, you should be able to:

- Identify and explore elements of an organisation's marketing environment that have implications for developing a digital marketing strategy
  - Introduction to online marketplace analysis
  - Situation analysis for digital marketing
  - The digital marketing environment
- Evaluate techniques for reviewing the importance of different players in the micro-environment: customers, competitors, suppliers, publishers, intermediaries and influencers, as part of the development of digital marketing strategy
  - Customers: understanding how they interact with digital markets
  - Customer choice and digital influence
  - Customer characteristics
  - Competitor analysis
  - Suppliers, publishers, intermediaries and influencers
- Review changes to business and revenue models enabled by digital markets
  - New channel structures
  - Digital business models
  - Digital revenue models

Case study

Case study 2: 'Creating the beauty that moves the world'

Links to other chapters

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

Introduction to online marketplace analysis

In Chapter 1 (Figure 1.2) we introduced the 7Ds as a tool for considering the factors marketers need to evaluate when reviewing the opportunities and challenges of integrating digital media and technology into their marketing activities. In the next two chapters, we explore in more detail how organisations can review these factors as part of a situation analysis that will inform digital marketing strategy and campaigns.

In this chapter we cover the digital marketing micro-environment and, in Chapter 3, the macro-environment. We begin by considering situation analysis and the digital marketing environment, then explore how customers interact with digital markets before looking at each of the key sets of players in the micro-environment: customers, intermediaries, competitors, suppliers and influencers. Our focus is on the customer, which relates to the digital audience and digital goals components of the 7Ds, including customer characteristics, journeys, buyer behaviour and conversion models. Our review of tools to assess intermediary options helps inform decisions on digital media.

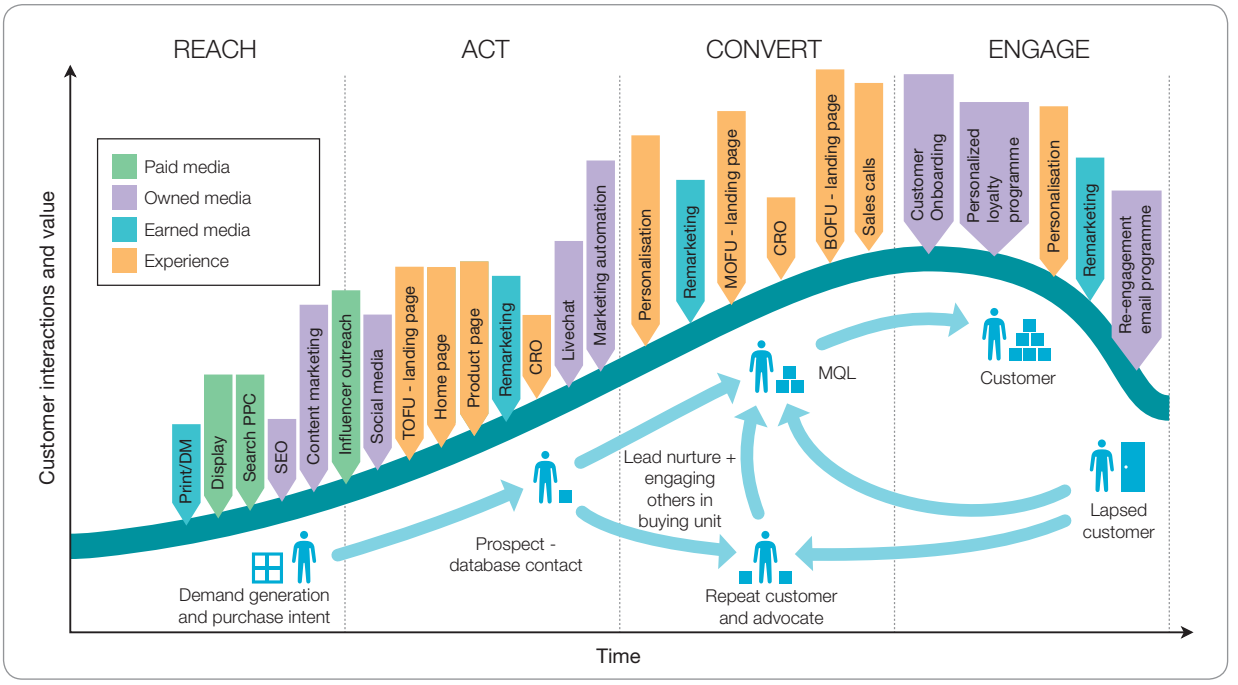
This chapter concludes by exploring new channel structures and business models for e-commerce and how existing companies can create business and revenue models that take advantage of digital marketplace opportunities.

Customer journey
A description of modern multichannel buyer behaviour as customers use different media and touchpoints to achieve their goals, including selecting suppliers, making purchases and gaining customer support as part of the 'path-to-purchase'.

Customer journeys and the online marketplace

The growth in use of digital media and technology has led to new **customer journeys** or paths to purchase that are highly complex, as purchase decisions are potentially influenced by many touchpoints (see Figure 2.1). This visual summarises how the potential paid, owned and earned digital media channels or communications tools offline may influence purchase across the customer lifecycle. It applies to a business-to-business organisation, although the

Figure 2.1 Customer lifecycle marketing touchpoint summary for a business-to-business organisation



Source: Chaffey (2020)

media options would be similar for a B2C business. TOFU, MOFU and BOFU refer to top-, middle- and bottom-of-funnel content where content is used to support nurturing through the customer lifecycle.

Figure 2.1 is intended to help businesses audit their use of digital communications as part of a 'situation gap analysis' where they can review whether they are using, or are investing sufficiently in, the most appropriate 'always-on' communications to achieve their goals across the RACE planning framework (introduced in Chapter 1). It highlights some of the many online marketing channels businesses can integrate to get the best results from digital marketing today. While some channels such as social media and SEO are well known, in our experience we find that some potential always-on marketing techniques such as ad and email retargeting and influencer outreach are used less widely.

In the **online marketplace**, purchase decisions are influenced by many sources of information (e.g. search results, customer reviews, online word of mouth, social media conversations and company websites). Additionally, potential customers are using multiple devices (sometimes simultaneously) to garner information that will inform their purchase decisions – for example, using smartphones or tablets while watching TV. This process is known as **multiscreening**. The digital influences are also supplemented by exposure to traditional communications such as TV, print or radio advertising.

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

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

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

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

Situation analysis for digital marketing

The digital marketing environment or 'online marketplace' an organisation competes in is complex and dynamic. **Situation analysis** supports the process of digital marketing strategy creation as shown in Figure 1.5. Organisations should carefully analyse the market context in which they operate, seeking to identify internal and external opportunities and threats.

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

A **Customer analysis.** Digital marketing propositions and communications should be based around the customer – their characteristics, technology usage, behaviours, needs and wants.

B **Marketplace analysis.** Including intermediaries, influencers and potential partners. This involves identifying and reviewing the main online influences on purchase behaviour. There are many influences to consider, including search engines, publisher media sites, blogs, review sites and social networks. Marketplace analysis also involves reviewing opportunities and threats from digital media and technology, including new business and revenue models.

C **Competitor benchmarking.** It is essential to understand how organisations compete in a particular marketplace; benchmarking customer propositions and communications activities against direct and indirect competitors and out-of-sector businesses can identify opportunities for new approaches and digital marketing activities that need to be improved.

D **Wider macro-environment.** These are the broader strategic influences we cover in Chapter 3, including social, legal, environmental, political and technological influences.

E **Internal review.** Another major part of the situation involves an inward-looking internal review of the effectiveness of existing digital marketing approaches. This will include reviewing current results from digital marketing by review of key performance indicators (KPIs) and dashboards, and the organisational capabilities and processes used to

Situation analysis
Collection and review of information about an organisation's internal processes and resources and external marketplace factors in order to inform strategy definition.

manage digital marketing, summarised as strengths and weaknesses. We explain how to review performance by selecting relevant goals and KPIs in Chapter 4 (digital strategy) and Chapter 10 (digital analytics).

Essential digital skills | Marketplace research and analysis

There is a wealth of information online (free and paid for) to help learn more about customers, competitors and potential partners, e.g. search tools, analytical services, government and company datasets.

Additionally, these information sources can help with case study assignments and for marketplace analysis as part of digital marketing planning.

Useful skills to develop:

- How to carry out customer analysis or competitor benchmarking using tools such as those in Tables 2.1 and 2.3. This can help you learn about customer profiling, behaviour, technology usage and its influence on the paths to purchase.
- How to conduct competitor and partner analysis. This can help you to benchmark businesses and their popularity and identify opportunities to apply new techniques to gain market advantage.

You can also identify practical ideas to boost employability by showcasing your interest and experience:

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

The digital marketing environment

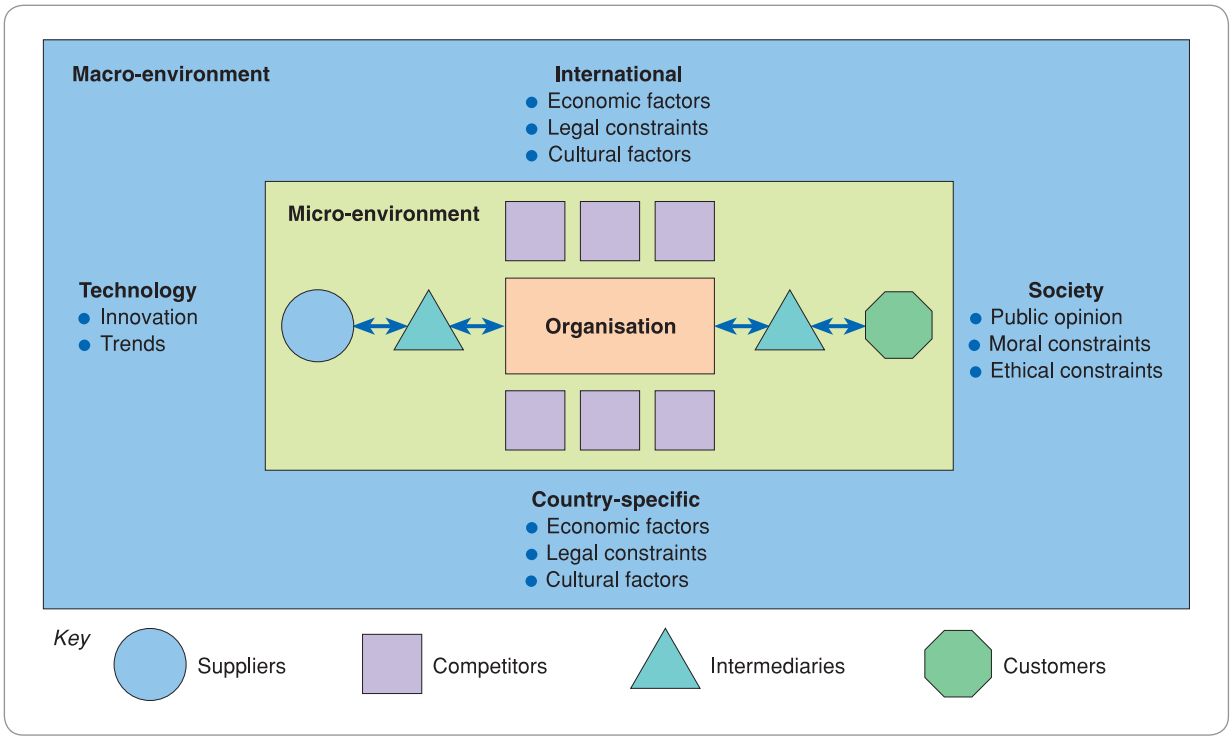
Micro-environment
The *players* (actors) and their interactions, which influence how an organisation responds in its marketplace.

Macro-environment
Broad forces affecting all organisations in the marketplace, including social, technological, economic, political, legal and ecological influences.

The digital marketing environment involves two major elements: 1) **micro-environment** and 2) **macro-environment** (Figure 2.2). The micro-environment is known as *the operating environment*, and focuses on the players that shape the immediate trading environment. These players include the customers whose needs and wants are to be satisfied, along with the competitors, intermediaries and suppliers. These groups of players shape the online marketplace and a digital marketer needs to understand their behaviour and interpret this correctly in order to build and adapt an efficient and effective digital marketing strategy.

The macro-environment, sometimes known as 'the remote environment', consists of external forces that can significantly affect success. These forces originate from the marketplace that is largely beyond the immediate control of an organisation (e.g. economic conditions, changes to international trade legislation, technological developments and innovations, social change and political interventions). It is important to note the growing influence of social media networks, which are increasing the capacity of digital channels to

Figure 2.2 The digital marketing environment



inform and shape opinion on a global scale. For more detailed discussion, see Chapter 6. We also study the parts of the macro-environment that are significant to developing digital strategy in Chapter 3.

The marketing environment can have a profound impact on performance; consequently, an organisation should continually monitor both micro and macro influences. This process is called **environmental scanning** in traditional marketing and online. Marketplace analysis helps to define the nature of the digital competitive market. The major online players, sometimes known collectively as FAMGA (Facebook, Apple, Microsoft, Google and Amazon), have developed and continually evolve their own proprietary infrastructure or **online market ecosystems** or digital platforms that enable interactions with consumers via the 7Ds of digital marketing we introduced in Chapter 1, i.e. digital goals, digital audiences, digital devices, digital platforms, digital media, digital data and digital technology, giving opportunities to enhance the customer experience and extend the firms' reach and influence. For example, Facebook uses APIs (i.e. Graph and Marketing) that enable companies to create audience profiles and run digital marketing campaigns via marketing technology services that use these APIs. The various functions of these APIs are to facilitate greater levels of automated interactions between Facebook users' newsfeeds and profile pages. All the FAMGA companies have also been active in developing digital mobile and smart home devices, which give new opportunities to market to audiences.

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

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

As part of marketplace analysis, companies should evaluate the relative popularity of these ecosystems for different target audiences and the resources required to communicate using their platforms, such as social networks or search engines. Digital marketing insight 2.1 recommends marketplace analysis data sources and Activity 2.1 gives an example of how to apply them, referencing the 7Ds of digital marketing.

Digital marketing insight 2.1 Resources for analysing the online marketplace

Table 2.1 presents a selection of free and paid-for services that can be used for online marketplace analysis. The first six sources mainly give primary data with insights on consumer usage, behaviour and for benchmarking businesses. The final four groups of sources publish reports about consumers and adoption covering secondary data.

By reviewing insights compiled by searching these information providers, a digital marketing strategist can build an informed picture of customer behaviour and competitive performance and make forecasts for strategic planning.

Visit **www.davechaffey.com/book-support** for Chapter 2 to access the tools in this table.

Table 2.1 Research tools for assessing digital markets

Tool provider and information sources	Focus and services
1 Google and Facebook tools See **www.thinkwithgoogle.com/tools/** and **Facebook.com/iq**	Two of the largest platforms, which provide the best sources of free, accurate tools for marketplace analysis. Recommended Google tools are: • Display planner tool – this Google Ads tool shows relative size and audience composition of publishers in the Google programme. • Google Trends – trends in search volume by country – no sign-in required. • Keyword Planner – this tool requiring registration in Google Ads gives details on number of searches each month. • Find My Audience - this YouTube tool defines in-market and affinity audiences. The recommended tool in Facebook IQ is now only available to advertisers: • Audience Insights – provides Facebook audience country breakdown by gender, age, interests and job titles, plus information on top page likes.
2 SimilarWeb (**www.similarweb.com**)	Freemium tool enabling comparison of visitors to sites and which channels prompt the visits. Sample dependent on users of the toolbar. A paid alternative is **Alexa.com**.
3 Socialbakers (**www.socialbakers.com**)	Freemium tool with some free tools for benchmarking brand social media popularity, e.g. in Facebook.
4 Global WebIndex (**www.gwi.com**)	Paid-for global audience panel service with useful insights on social media adoption via its blog. Nielsen is another alternative.
5 Comscore (**www.comscore.com**)	Paid-for home-panel tool but free data on consumer behaviour on mobile and desktop for search engines and publishers available from its Insights section.
6 Google Analytics (**www.google.com/analytics**)	Free and paid-for services, which provide insights into website traffic. Includes competitor benchmarking.

Tool provider and information sources	Focus and services
7 Internet or Interactive Advertising Bureau (IAB) (UK: **www.iabuk.com**, Europe: **www.iabeurope.eu**; US: **www.iab.com**)	Research focusing on investment in different digital media channels, in particular display ads and search marketing. Paid-for services.
8 Internet Media in Retail Group (IMRG) (**www.imrg.org**)	Data, analysis and insights for the retail industry. The IMRG Capgemini Sales Index provides benchmark statistics on UK e-retail sales, mostly limited to members.
9 Government sources	Useful government sources include Office for National Statistics (UK, **www.ons.gov.uk**); Eurostat (EU, **www.ec.europa.eu/eurostat/**); Ofcom (UK, **www.ofcom.org.uk** – excellent communications market reports); **statistics.gov.uk**; and **www.data.gov** for the US.
10 Non-government organisations	Include Pew Research Center (US, **www.pewresearch.org/topic/internet-technology/**) good for social media adoption, and International Telecoms Union (**www.itu.int**) a good source for mobile adoption. **www.datareportal.com**, **www.statista.com** and **www.marketingcharts.com** are recommended for insights from other sources.

Activity 2.1 Using digital research tools to assess variation in device usage

Understanding how target audiences interact with digital media and content is a vital part of digital marketing campaign planning.

Purpose

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

Activity

Using the resources listed in Table 2.1:

1. Create a table with a column for each of the FAMGA companies and a row for each of the 7Ds of digital marketing we introduced in Chapter 1, i.e. digital goals, digital audiences, digital devices, digital platforms, digital media, digital data and digital technology.
2. Student groups can fill in examples of specific devices, platforms, data and technology (for example, Facebook has its Portal™ device, Facebook, Instagram, WhatsApp and Messenger social platforms, advertising media, API and Insights data and technology).
3. Identify recent examples of how innovations from these businesses have given marketers new options for interacting with consumers (for example, mobile, messaging, social or device developments).

Customers: understanding how they interact with digital markets

Understanding how customers interact with digital markets is important to research since it will reveal opportunities to reach and influence potential customers. It is the modern marketer's job to make the best investments to feature their brands and provide relevant content to support this decision-making process at every stage of the customer journey, especially as customers are interacting with brands in commercial and social contexts across multiple touchpoints (Lemon and Verhoef, 2016; Edelman and Singer, 2015). To help understand customers' interactions with physical and digital touchpoints, triggers and influences, journey maps can be used to summarise the behaviour of different types of target audiences. (See Figure 2.3 for an example of a customer journey map, showing channel switching as a consumer researches and buys a product.)

To help understand the influences on online customer journeys it is useful to produce an online marketplace map, as shown in Figure 2.4, which summarises how target customer segments might be influenced by different types of digital sites. The main elements of the online marketplace map are:

1. **Customer segments.** The marketplace analysis helps identify and outline different target segments, which have implications for digital marketing, and helps to understand the target group's online media consumption, behaviour and relevant types of digital content. In a digital campaign or website design project, personas can be used to help understand the preferences, characteristics and online behaviours of different target markets.
2. **Search intermediaries.** As part of situation analysis, search intent in a market should be reviewed since search engines mediate the number of visits to websites based on the organic and natural rankings of a brand. Creating a target search keyword list evaluates

Figure 2.3 An example of a customer journey map

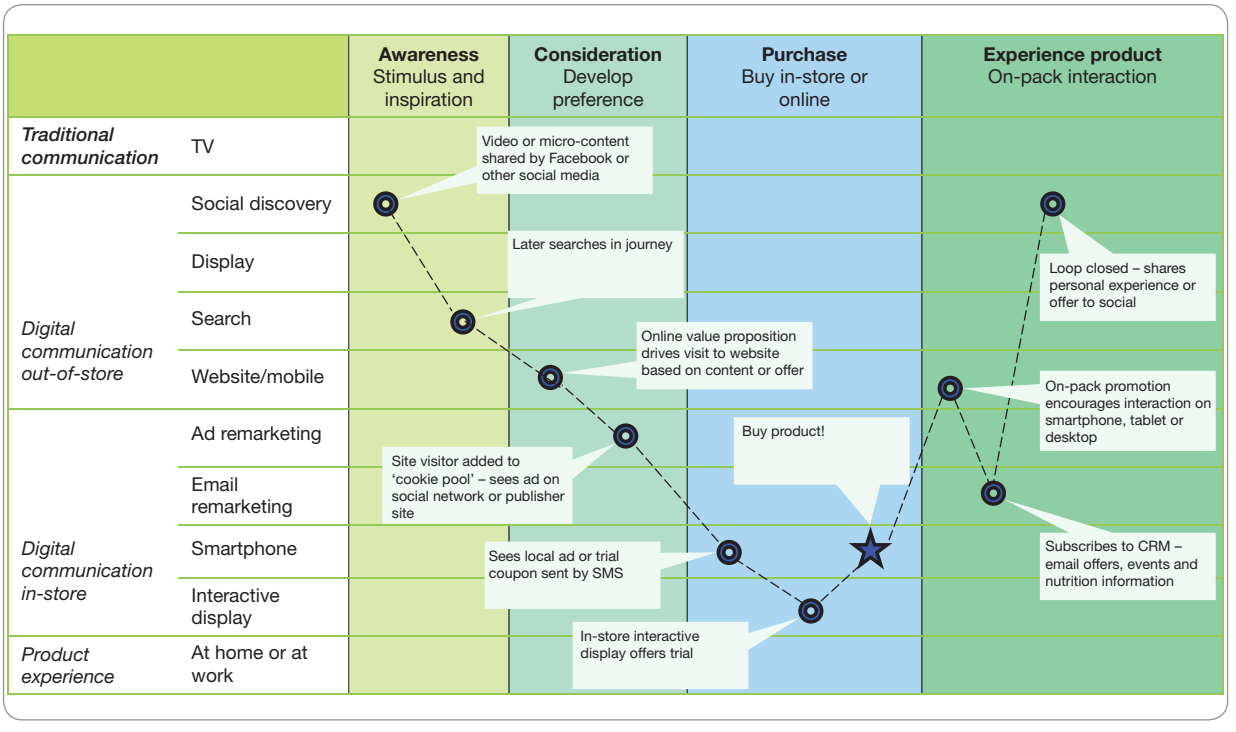
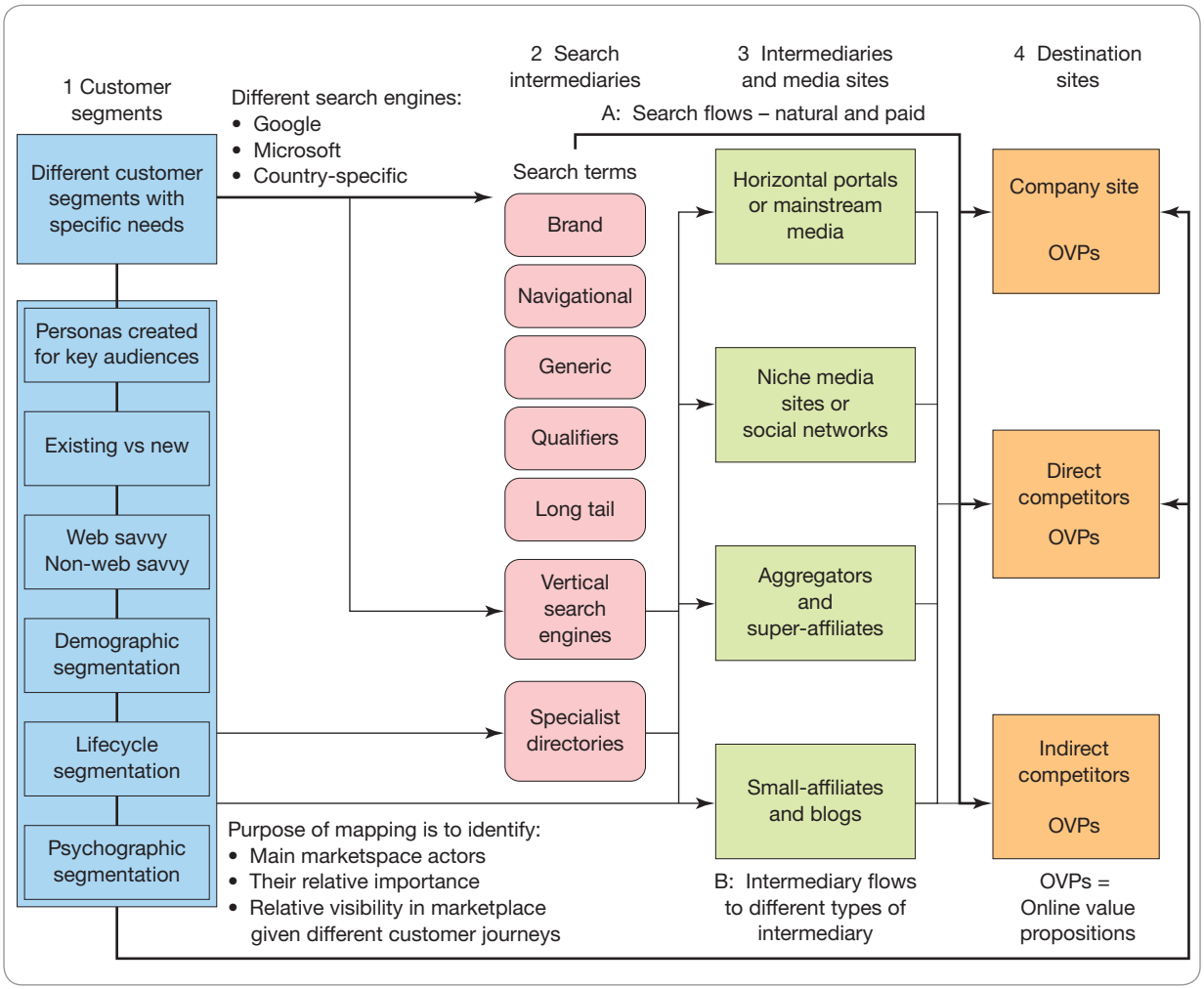


Figure 2.4 An online marketplace map



the types of search terms used by consumers against the visibility or rankings for a brand for these terms, compared to competitors. Different types of search terms to review in the cosmetics market might include:

- Brand terms include brands and sub-brands' names, e.g. 'L'Oréal Paris', 'Garnier' or 'Maybelline New York'.
- Navigational terms for Brand + <Product>, e.g. 'Garnier skin care' or 'Garnier body care'.
- Generic search terms' visibility, e.g. 'skin care' or 'body care'.
- Specific 'long tail' terms of four or more keywords, e.g 'beauty day cream for dry skin'.
- Qualifier terms added to describe consumer needs, such as 'best', 'cheap, 'new' or 'reviews'.

We explain search intent and keyword analysis, and tools to assist in this in more detail in Chapter 9.

In many countries, Google is the dominant search engine, but in international marketing, visibility in other search engines may need to be considered such as in China (Baidu™) and Russia (Yandex™). Choi and Varian (2012) noted that Google Trends data on seasonal and longer-term search volumes through time are very useful for predicting levels of spending. They argue that 'these query indices (Google Trends data) are often

correlated with various economic indicators and may be useful for short-term economic predictions'.

According to Aswani *et al.* (2018), it is important for firms to use reliable sources of search analytics such as customer search data, rankings and links between sites. Companies should know which search terms are effective in harnessing search traffic and either partner with them or try to obtain a share of the search traffic using the search engine marketing and affiliate marketing techniques explained in Chapter 9. Well-known, trusted brands that have developed customer loyalty are in a good position to succeed online since a common consumer behaviour is to go straight to the site through entering a URL, or from a bookmark or email. Alternatively, they may search for the brand or URL. By evaluating the type and volume of phrases used to search for brands and products in a given market, it is possible to calculate the total potential opportunity and the current **share of search** terms for a company. As explained in Digital marketing insight 2.2, share of search can be determined from Google Search Console, verified on the company site, which indicates the precise key phrases used by visitors in each country to reach a site compared with all searches (known as impressions).

Share of search
An evaluation of the proportion of website visits from organic and paid search that a brand attracts for a defined set of target search terms used by an audience searching for a market category of product, service or other information. A search gap analysis can be performed to assess potential visits from consumer search intent against actual visits achieved through SEO and pay-per-click activities.

3 **Intermediaries, influencers and media or publisher sites.** Media sites and other intermediaries such as individual influencers, social networks, **aggregators** and **affiliates** are often successful in attracting visitors via customer search or direct to their websites. Companies need to assess potential online media and distribution partners in the categories shown in Figure 2.4:

- **Mainstream news media sites or portals.** These include traditional (for example, **FT.com**, *The Times, Guardian*) or pureplay (such as Google News).
- **Niche/vertical media sites.** For example, Econsultancy™, Smart Insights™ and Marketing Land™ are in a business-to-business niche covering digital marketing.
- **Social networks and digital platforms.** For example, Facebook, YouTube, Instagram, Twitter, WhatsApp, WeChat, LinkedIn.
- **Price comparison sites (also known as aggregators).** For example, Google Shopping™, PriceGrabber™, GoCompare™, **Shopping.com™**, **Confused.com™** and MoneySuperMarket™.
- **Super-affiliates.** Affiliates gain revenue from a merchant they refer traffic to by being paid commission based on a proportion of the sale or a fixed amount. At one point they were important in transactional e-commerce markets, accounting for tens of per cent of sales.
- **Niche affiliates or bloggers.** These are often individuals, but they may be very influential. For example, in the United Kingdom, Martin Lewis of **MoneySavingExpert.com** receives millions of visits every month. Smaller affiliates and bloggers can be important collectively. With the growth in readership and social interactions on blogs, identifying **key online influencers** within a market is important to help reach and engage target audiences (as illustrated by Mini case study 2.1).

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

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

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

4 **Destination sites and platforms.** These are the sites that the marketer is trying to attract visitors to, including transactional sites by retail, financial service, travel, manufacturers and other companies, or non-transactional sites such as brand or relationship-building sites, as introduced in Chapter 1. Destination sites also include presence on other social sites such as Facebook and Twitter or mobile apps. Figure 2.4 refers to OVP or 'online value proposition', which is a summary of the unique features offered by brands in their online services and presences (described in more detail in Chapter 4). The OVP is a key aspect to consider within planning – marketers should evaluate their OVPs against competitors' and think about how they can refine them to develop a unique online experience.

Digital marketing insight 2.2 From share of search to share of searches – evaluating search marketing effectiveness

Share of search is a useful measure for reviewing the effectiveness of both organic and paid search marketing. It is particularly critical to competitiveness for businesses in sectors where there are high-involvement products, where people show high search intent and volume by searching for product information as part of the buying process. We have featured it in several previous editions to show the power of the search gap analysis technique where marketers compare actual organic and paid search visits to a site determined by Google Analytics, with potential visits based on number of searches available from Google Keyword Planner and Google Search Console.

Defining share of searches

This term is defined in research (Binet, 2020) by Les Binet, Head of Effectiveness, of agency adam&eveDDB, presented at an Institute of Practitioners in Advertising Effectiveness week presentation titled 'A new way to track brands and advertising'.

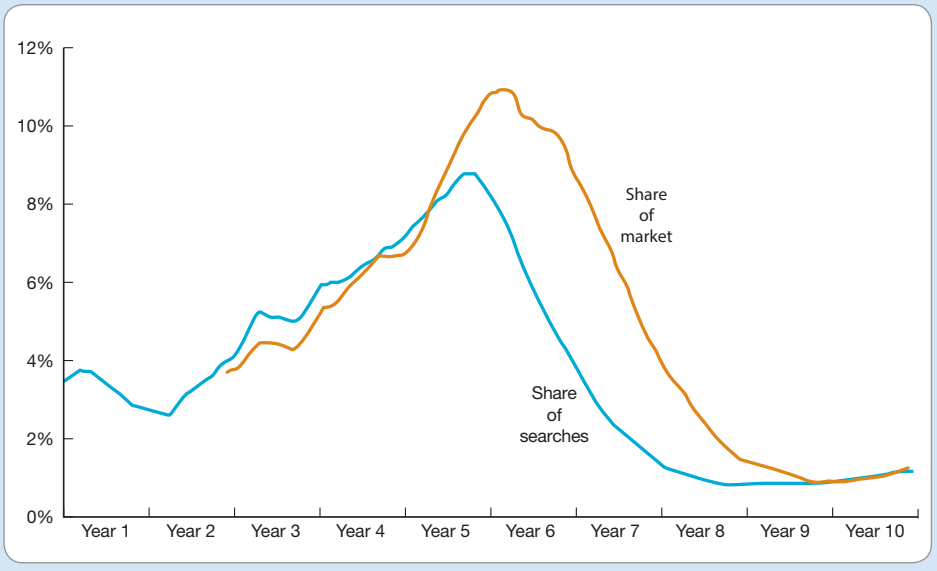
Binet describes a high-level, competitor benchmarking technique that can be used for situation analysis as part of digital strategy. This technique relates to brand search terms, so is distinct from the gap analysis technique that reviews product-related search effectiveness.

Binet defines share of searches as:

Share of searches = Searches for brand x/Searches for all brands in category

You can see that this definition doesn't relate to how many are attracted to a website, it simply relates to the consumer intent based on the number of searches or impressions for a brand compared to all brands in a category. Binet and team reviewed historic data of search and purchase behaviour in three different markets (automotive, energy and phones). These data show that, as we might expect, there is a correlation between share of searches and market share. Simply put, more people will search for brands with better awareness and sales. Figure 2.5 shows the relationship between share of searches, i.e. search volume, and share of market for LG phones. You can see that share of searches

Figure 2.5 An example of the relationship between share of searches and share of market for LG



Source: Binet (2020) (with permission)

is a leading indicator for share of market, with market share increasing and then decreasing – following a similar pattern for share of searches, but with a lag.

However, such correlation doesn't prove causation and this isn't unexpected, but the research does establish a relationship by considering how changes in search share relate to market share.

A simple, practical take-away from this work is for marketers to review how brand search phrases vary through time as different campaigns and products are launched and always-on search investment is varied. Google Trends provides a simple version of this. Another technique to consider is to review different forms of brand searches, which break down into pure brand searches, e.g. 'Citroën', and product-specific 'navigational' searches where searchers seek to find a product, sub-brand or category directly without visiting the home page; for example, they might search for 'Citroën Berlingo', 'Citroën C4' or 'Citroën Cactus' if aware of them. The variation in search intent for these product-specific terms can be monitored through time to assess the effectiveness of marketing activities to promote them against competitor activity.

Mini case study 2.1 How social media influencers can shape our opinions: from meat eater to vegan

Whalar is a marketing agency that supports brands using influencer marketing. Neil Waller, one of the co-founders of the company, says of influencer marketing: 'It's a bit like Airbnb. Anyone could have gone and stayed in someone's home, but Airbnb just put in a safety net and made it possible and scalable.' Neil applies similar principles to help develop influencer networks and build trust in online communities so companies get the most out of social media influencer campaigns. Whaler has worked with many brands, including Dior, with its #DiorLoveChain campaign, Vodafone, with its #BeUnlimited campaign to raise awareness of unlimited data plans and Naked Glory to launch meat-free products to meat eaters in the United Kingdom.

Naked Glory aimed to raise awareness through its 'Summer Eating' campaign. Whalar used 15 creative influencers to generate unique content featuring the Naked Glory meat-free product ranges. The outcome was 63,700 engagements and significant increase in assets to support the campaign. Story impressions were higher than expected and the best-performing stories helped to raise top-of-mind awareness and contributed to shaping customer purchasing intentions, repeat purchasing and their recommendations.

Using Instagram, Facebook and other social media platforms, influencers act as opinion leaders and shape the behavioural intentions of consumers. For this to work effectively, there needs to be a strong match between the interests and personality of the consumer and the quality and values of the influencer's messaging (Casaló *et al*., 2020). The Naked Glory influencers took the campaign beyond Whalar's expectations and generated 37 per cent more assets in the campaign. The results were to develop perceptions of Naked Glory as a vegan brand that meat eaters could enjoy.

Sources: Avins (2018); Casaló *et al*. (2020); Whalar (2020)

So far, we have started exploring how to evaluate how customers interact with digital markets. We now look more specifically at the digital consumer and the importance of analysing their buyer behaviour in the digital marketing environment.

Customer analysis to understand the digital consumer

Situation analysis for digital marketing should focus on the customer looking at how they engage with digital content and channels, the journeys they take and the touchpoints they encounter. But this is just the beginning; in marketing, understanding the trading situation

is very important for setting realistic business and marketing objectives and it is important not only to consider customers' behaviour but also to know how to analyse reactions and responses. In the digital world, customer actions are highly trackable and quantifiable, so digital marketers should know how to measure customer behaviour in relation to marketing objectives in highly precise ways. These ideas are equally applicable in consumer, business and not-for-profit markets settings, although the specific measurement and analysis tools will vary depending on the desired marketing outcomes. Complete Activity 2.2 in order to find out how insights about business-to-business markets and influencers are available from the LinkedIn platform.

Activity 2.2 LinkedIn: making professional connections

Purpose

To consider the insight about B2B decision makers available in online business networks such as LinkedIn.

Activity

Businesses rely on their connections to other businesses and key individuals to develop their business. In 2002, Reid Hoffman had an idea, which he launched in his living room, that he turned into the largest professional network in the world, LinkedIn. In 2016, Microsoft completed its acquisition of LinkedIn for $26.2 billion. Today there are over 750 million professional individuals signed up to the network in 200 countries worldwide, and the site supports 24 languages. The main elements of the revenue model are:

- Hire – tools to recruit candidates.
- Market – using targeted ads to reach and engage people in specific roles and sectors.
- Sell – using the search function and the premium Sales Navigator and InMail tools to contact potential business customers.
- Learn – developing skills through online learning (based on the acquisition of **Lynda.com**, now LinkedIn Learning).

These are all paid-for options to network with business people, but LinkedIn also offers lower-cost opportunities for B2B marketers to use organic marketing through company pages and networking (sometimes known as social selling).

Marketers working in B2B roles can use LinkedIn to find information about different members of the decision-making unit using the Search and Sales Navigator tools. Influencers can also be identified.

Questions

Use the free facilities available via the Search function on LinkedIn to gain insight about decision makers in a business. Choose three brands you are familiar with.

1. Find three examples of businesses that are using LinkedIn to access their target markets by visiting their business pages and reviewing the types of content they are publishing to appeal to different target audiences.
2. Use the Linkedin Search function to find employees in a marketing role. Assess how many people have dedicated digital marketing channel roles.
3. Use the LinkedIn Campaign Manager or supporting documentation to determine the B2B audience attributes that can be used for targeting and insights (available if you have an account).

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

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

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

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

Customer behaviour analysis can be considered from two perspectives:

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

Demand analysis and conversion marketing

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

Assessing demand for digital services is achieved by using tools (such as those in Table 2.1) to enable marketers to set realistic strategic objectives for each target segment. In order to do this the digital marketer also needs to assess the volume and share of customers who:

- are 'in market' for a service, i.e. they have intent to use it;
- have access to the digital channel;
- use specific online services that may affect the purchase decision, such as price comparison sites, social networks and specialist blogs;
- are influenced by using the digital channel but purchase using another channel as part of the multichannel buyer behaviour;
- purchase or use other services using the digital channel.

Implications for marketing planning: conversion models

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

As part of situation analysis and objective setting, experienced digital marketers build conversion models of the efficiency of their inbound marketing. Using this approach, the total potential online demand for a service in a particular market can be estimated and then the success of the company in achieving a share of this market determined. **Conversion marketing** tactics can be used to convert as many *potential* site visitors into *actual* visitors and then convert these into leads, customers and repeat customers. Conversion marketing metrics are discussed in detail in Chapter 10.

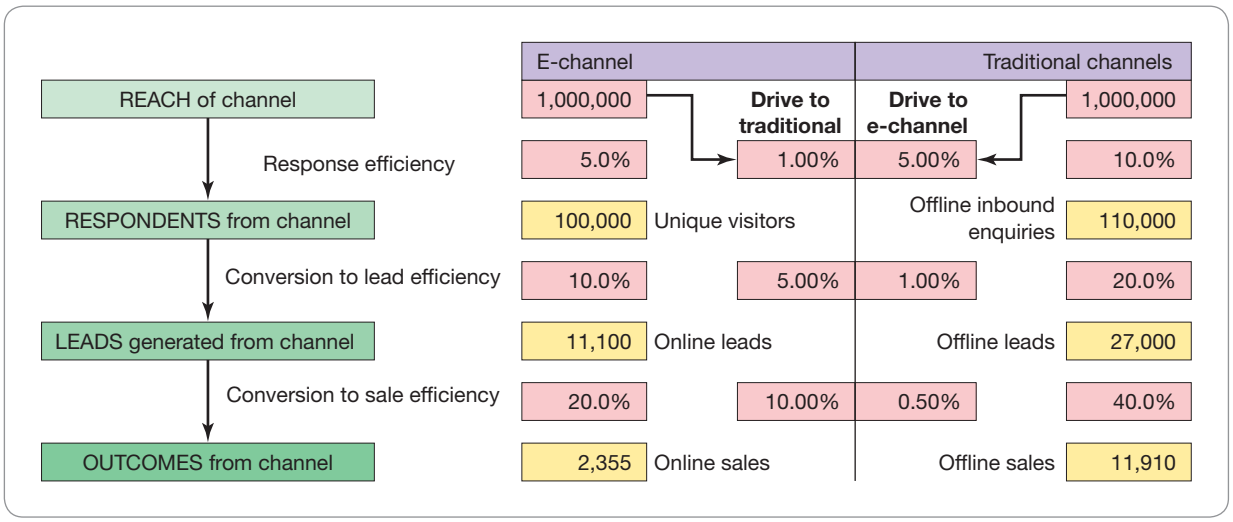
Multichannel conversion models

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

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

Figure 2.6 shows a model of how this works. The column on the left shows people who are reached by digital media who respond via a website or app (for example 5 per cent of

Figure 2.6 Model showing conversion between the digital channel and traditional channels during the buying process



1 million or 50,000 unique visitors); unique visitors are also supplemented from respondents to traditional media shown in the right-hand column (i.e. 5 per cent of 1 million offline) to give 100,000 unique visitors in total. Tracking can be put in place to verify the model, for example, phone numbers that are unique to the website can be used as an indication of the volume of callers to a contact centre influenced by the website. Here, of 100,000 unique visitors in a period, 11,000 become online leads (10,000 online, plus others referred from traditional channels) while there are 27,000 offline leads including 5,000 referred from the online channel. Now read about how to create successful cross-channel experiences in Mini case study 2.2.

Mini case study 2.2 Supporting cross-channel customer behaviour

'No matter how brilliant the idea is, if your audience's needs aren't met you won't keep them as a customer'

(Mulcahy and Salmon, 2017).

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

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

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

- Time of day can also affect purchasing behaviour and choice of device: mobiles are very popular in the morning as people are travelling to work; desktop computer use increases during the working day and then

mobile and tablets increase in popularity again in the evening. It is also important to note the days of the week, as there are peaks in conversion traffic at the end of the week for Epiphany's clients.

- Site speed – digital campaigns with potential can perform badly if the speed for the destination site is perceived as slow; the majority of online users will look for an alternative.

In summary, it is important to go beyond looking at the channel to understand customer journeys; while channel is important, time of day and download speeds also influence the conversion of online users to purchasers. Also, as UK consumers spend more time using their smartphones than any other device, the distinction between online and offline purchasing is becoming obscured. Therefore, the greater the understanding of an individual user the higher the likelihood of successful digital campaigns.

Source: Mulcahy and Salmon (2017)

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

Customer choice and digital influence

Customer choice and the subsequent decision making are crucial to the purchasing process (online and offline), but digital media now plays an increasingly important role in buying decisions. Many buyers visit online first to find information that will inform what they buy, so the web and social media are:

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

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

Figure 2.7 shows that when consumers first use the web they tend to limit its use to searching for product information, but as they become more confident, they are not only likely to involve the internet at a greater number of points in the purchasing process but are also likely to increase the value of the products they buy and the frequency with which they make purchases. This experience has been called ZMOT, 'zero moments of truth', when a potential customer begins learning about a product or service for the first time. Decisions taken at this early stage are important as they can influence long-term buying behaviour and can act as a differentiating moment (Steils *et al.*, 2019).

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

The proportion of internet users who will purchase different types of products online varies considerably based on the characteristics and demographic profile of the consumers, the product category and the past experiences of the shopper. There have also been many predictions about the development of online retailing and how it might fuel demand for online transactions. Convenience remains the biggest driver for online shoppers. Figure 2.8 compares the relative importance of different factors that have encouraged the adoption of

Figure 2.7 Development of experience in internet use

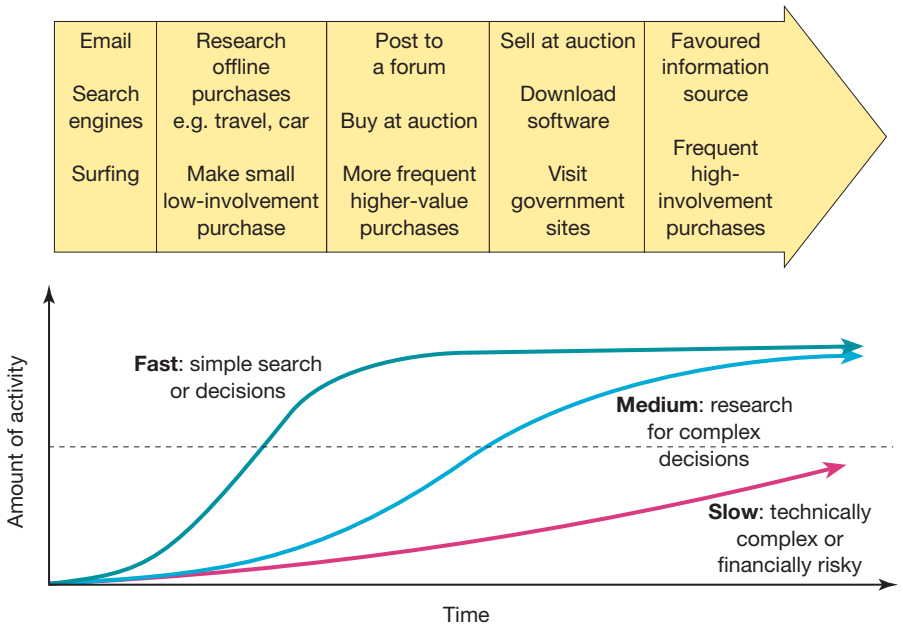
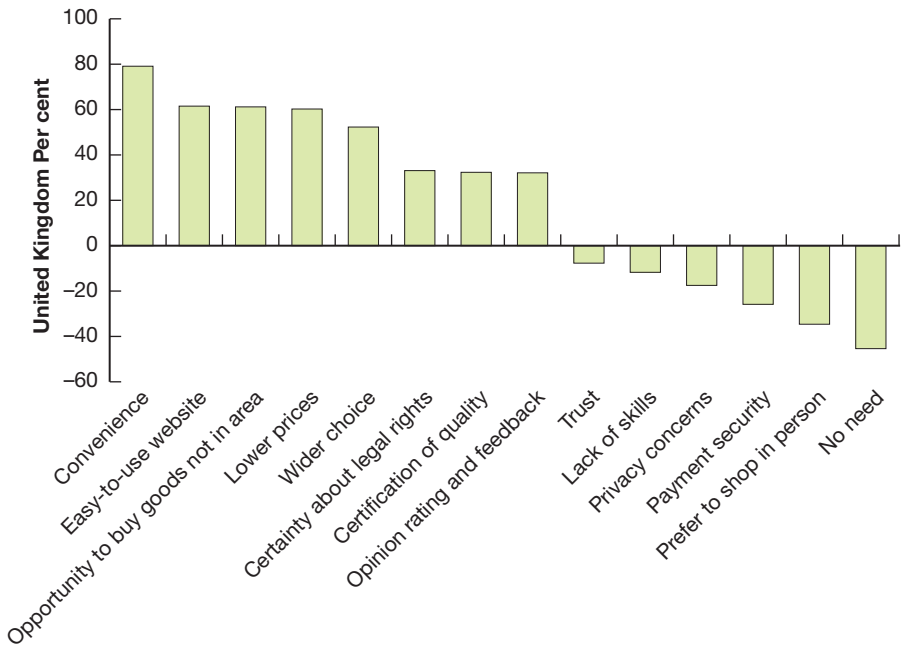


Figure 2.8 Influences on online purchasing in the United Kingdom



Source: Chamberlin (2010)

online purchasing among UK consumers. The most important drivers of online purchase according to respondents are shown on the left of the chart.

By understanding the dimensions that affect how consumers interact with online trading environments, digital marketers can encourage adoption and purchase by communicating the benefits of purchase and reassurance about concerns such as privacy and security.

When assessing online customer demand and characteristics for business-to-business products and services, there are additional considerations. The B2B market is different from business-to-consumer markets insofar as variation in online demand or research in the buying process will occur according to different types of organisation and people within the buying unit in the organisation. Digital marketing insight 2.2 shows how we can target different types of businesses and decision makers using LinkedIn. We need to profile business demand for online services according to:

- Variation in organisation characteristics:
  - size of company – employees or turnover;
  - industry sector and products;
  - organisation type – private, public, government, not-for-profit;
  - country and region;
  - application of service – which business activities do purchased products and services support?
- Role of the target individual in an organisation:
  - role and responsibility – job title, function or number of staff managed;
  - role in buying decision – purchasing influence;
  - department;
  - product interest;
  - demographics – age, sex and possibly social group.

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

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

Customer characteristics

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

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

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

1. **Demographic variables.** Any personal attributes that tend to remain static throughout an individual's lifetime, or evolve slowly over time – such as age, gender, race, etc. – can

be defined as *demographic variables*. Key elements of a consumer's demographic profile that have been found to influence online behaviour include variables such as: income, education, race, age (Hoffman *et al*., 2000; Sebastianelli *et al*., 2008); gender (van Slyke *et al*., 2002); lifestyle (Brengman *et al*., 2005); and cultural and social make-up (Shiu and Dawson, 2004). Research has identified gender differences affecting online purchasing behaviour, with differences shaping attitudes towards pricing and shopping experiences (Ryu, 2020).

2 **Psychographic and behavioural variables.** Any aspect of a consumer's perceptions, beliefs and attitudes that might influence online behaviour, and in particular a consumer's intention to buy a product or service, can be defined as a psychographic/behavioural variable. Indeed, there has now been a significant amount of work to explore how the consumer's character or personality might influence their online behaviour (George, 2004; Mendes *et al*., 2020; Parsad *et al*., 2019). Researchers have explored how a wide range of personality traits and behavioural characteristics, such as knowledge, attitude, innovativeness and risk aversion, could have a significant effect on predicting a consumer's intention to shop online and the types of goods they might purchase (Cheung *et al*., 2005; Piroth *et al*., 2020). Language, social interactions and online friendships have become increasingly important influencing factors with the growth of social media (Kizgin *et al*., 2020). At a practical level, interest-based targeting advertising options are available that enable businesses to go beyond conventional demographic ad targeting, as explored in Mini case study 2.3.

Mini case study 2.3 L'Oréal uses video advertising on Facebook and Instagram to micro-target

Facebook has become successful in growing its online advertising revenue since it offers both conventional demographic targeting and other options that are more predictive of interest in a product, i.e. customer intent. These other options are based on the type of content an individual interacts with. Targeting options from Facebook's Audience Insights tool that are available to advertisers for selecting audiences they want to reach include:

- Demographic – age, gender, education and job title.
- Interests – interests and hobbies, from preferred entertainment, shopping and fashion, sport and outdoors to technology.
- Behaviour – page likes, prior purchases and device usage.
- Life events – for example a new job, new relationship or recently moved.

La Roche-Posay, L'Oréal's specialist line for sensitive skin, including skincare and sun protection products, gives an example of how this insight can be used to target potential customers more closely by delivering personalised ads. La Roche-Posay worked with Facebook Marketing Partner Aitarget to create a campaign that would reach people with relevant messages in personalised video ads based on interest and demographic targeting. Kirill Nikonov Digital, eCommerce and CRM Manager, L'Oréal Russia explains: 'our suncare range comprises 20 products, all answering the needs of different skin types. That's why it was crucial for us to target customers accurately and offer them the product most suitable for their skin condition'.

The aim was to create multiple video ads, tailored to people with different skincare needs, and recommend a suitable product. Aitarget's personalised video creation tool enabled the brand to produce 20 video ads based on a template that it tuned to 10 very specific audiences. In total, more than 90 branded videos were generated and uploaded to La Roche-Posay's ad account, where multiple ad sets for different audiences were automatically created. Audiences – including groups such as young mums, outdoor lovers, acne sufferers, fitness fans and people with allergies – saw video ads with customised product images and personalised messages in their Facebook News feeds, Instagram feeds and in Instagram Stories.

Using this approach, La Roche-Posay reached three times more people with a three-week campaign at a peak time for buying sun protection products and also cut the cost of engagement with highly relevant personalised ads. It achieved:

- 3× increase in reach;
- 25 per cent lower cost-per-click;
- 3× lower cost-per-10-second video view.

Sources: Aitarget University **https://uni.aitarget.com/insights/la-roche-posay/**; Facebook Business **https://en-gb.facebook.com/business/success/la-roche-posay-aitarget**

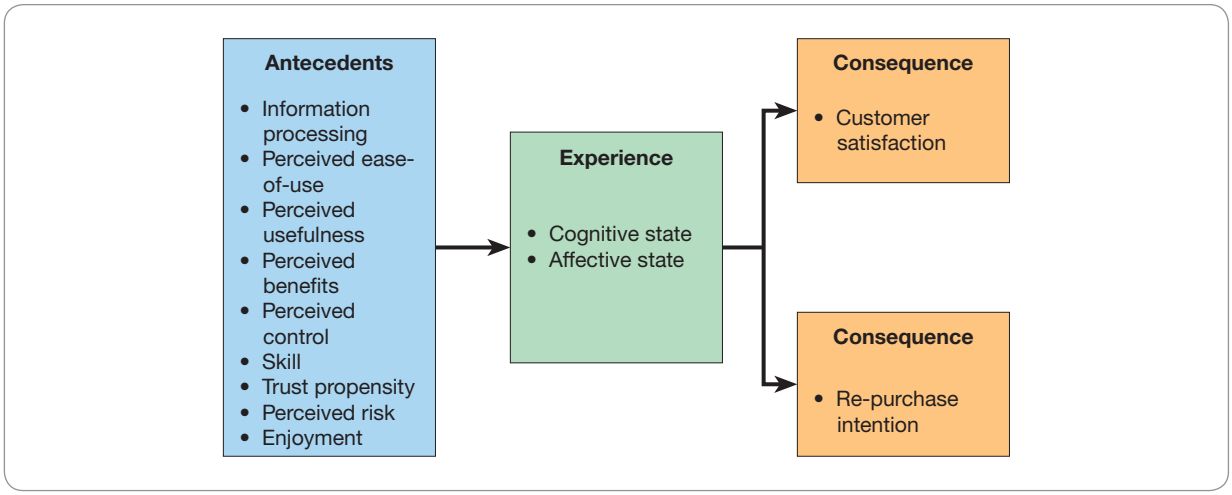
As use of the digital environment has grown, further research gives greater understanding of the online customer experience and how this interrelates with physical world experiences. Moreover, empowering customers with information to use during the decision-making journey can positively influence expectations and behaviours (Watson *et al.*, 2018). Increasingly, customers prefer to shop across different physical and digital channels, creating a connected shopping experience that increases the perceived value of their shopping decisions (Betzing *et al.*, 2018; Verhoef *et al.*, 2015). This integration can also increase the quality of shopping experience by enabling personalised services that further enhance consumer interactions (Hoffman and Novak, 2015). A connected shopping experience has been found to have a positive effect on customers' search, purchase and willingness-to-pay intentions (Herhausen *et al.*, 2015; Pantano and Priporas, 2016). According to Rose *et al.* (2011):

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

Figure 2.9 shows a framework for understanding the concepts that motivate and influence the online consumer. An important point to consider is that past experiences will provide the basis for future evaluations. According to Arnold *et al.* (2005), the antecedents or background to the online experience consist of an important list of concepts that can positively or negatively influence or motivate the consumer to engage with a digital offer:

1. **Information processing (IP).** This is very important as it shapes how a consumer deals with available data and information that will shape their future behaviour. IP involves the mental processes and senses an individual uses to interpret the world they inhabit (Wang and Benbasat, 2013).
2. **Perceived ease of use.** This also needs consideration by digital marketers, as the easier a website or mobile site is to use, the more likely a customer will have a positive online experience (Cheung *et al.*, 2005). Customers can also benefit from lower search costs and the efficacy of buying at any time from the comfort of their home or office.
3. **Perceived usefulness.** This refers to the extent to which the digital offer fits with the customer's daily life – for instance, shopping, booking train tickets online, banking (Arnold *et al.*, 2005). It is here that the digital marketer can really start to develop a path to consumer benefits.
4. **Perceived benefits.** If a customer feels they will be rewarded in some positive way by engaging with a digital offer, this is likely to generate support for an online brand (Arnold *et al.*, 2005).
5. **Perceived control.** If a customer is a skilled user of the digital technology in question, then they will feel they are able to function successfully in this environment. Earlier in the chapter we discussed how some mobile shoppers are confident whereas others are not.
6. **Skill.** This refers to the customer's ability to use the technology to achieve their desired goals (Klein and Ford, 2002). It has been found that individuals *learn by doing* in the internet environment and so build their skill set over time – for example, the more

Figure 2.9 Framework for understanding online customer experiences



Source: Rose *et al*. (2011)

frequent the visitor is to a website the greater their exposure and the higher their ability to engage with this digital content.

7 **Trust and risk.** Both play an important role in how a customer behaves online. Inexperienced internet users can feel vulnerable and fear the unknown. Customers should be able to achieve their buying goals with or without feeling they are exposed to undue risk (e.g. financial risk, social risk, personal risk). Marketers should seek to find ways to limit the risk of engaging with their online offer and seek to build trust through developing online relationships (Vize *et al*., 2013) and enabling customers to feel they are purchasing in a safe and secure online environment (Nepomuceno *et al*., 2013).

8 **Enjoyment.** This is an outcome of a positive online experience and leads to perceptions of greater overall customer satisfaction.

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

Social media and emotions

It is also important to consider that social media is increasingly influential for capturing and sharing consumer experiences and is a major conduit through which consumers share, recommend and feed back on their product and service choices and experiences (Zhang *et al*., 2018). Social media networks are giving access to personalised recommendations in real time, based on individual personal experiences, which can be highly influential (both positive and negative depending on the nature of the recommendations). The use of social media networks, such as Facebook, Instagram, Twitter and LinkedIn, have risen substantially since 2008. Social media has become important as a means of communicating and interacting online and also as a source of peer recommendations. The capacity of social media networks to display our personal feelings is extensive.

Personas

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

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

Personas are essentially a 'thumbnail' description of a type of person. They have been used for a long time in research for segmentation and advertising, but in recent years have also proved effective for improving website design by companies that have applied the technique. To be effective for digital marketing, personas should go beyond a simple summary of audience characteristics, needs and aspirations. A detailed persona should also include psychographic information and can be made more practical, as shown by the example in Figure 2.10, by including a customer journey map showing content requirements as the customer moves through the three stages of the buying process. Such a persona can then be used to review and improve the effectiveness of content and calls-to-action on a website, and support communications in assisting conversion.

For an example of the application of personas, see Mini case study 2.4 about student consumer personas.

Figure 2.10 A persona example recommending key insights to include

Persona	Name	*Robert*
	Type	*Primary persona*
	Decision role	Main decision maker in startup
Demographics	Age	35 y.o.
	Gender	Male
	Buying unit	Reports to COO, CFO and CEO
Decision making	Style	Product evaluation style 5 month timescale to deployment

Personal and home	Lives in Boulder, CO Keen snowboarder and ultra-runner in summer Married for 5 years
Work	CTO responsible for service availability Online Diet service / startup Serving consumers 12 people in development, design and infrastructure

Goals and motivations	• Demand spikes are jeopardising the growth of the business • Wants to focus on core competencies - developing customer proposition • Looking to reduce costs and internal admin time
Barriers and Challenges	• New year spikes are literally keeping Robert awake at night • Needs 10+ web servers, multiple database servers and load balancer • Want to support 10 million uniques maximum per day • Only 5 months to deploy before Christmas spike • Not sure about using a third party or direct to AWS, Azure
Our key messages	• Speed to market • Flexibility to grow with you • Your dedicated support team

Buying scenario	Robert is seeking a managed cloud (Infrastructure as a Service, IaaS) to scale virtual server space, processors, bandwith and load balancers Has to make business case to 3 more senior colleagues Since launch 2 years ago the company has seen rapid growth with a 50X revenue growth in the previous year involving 300K average daily site visits with spikes up to one million daily uniques requiring IaaS Previously had a part time system admin responsible for up-time

Preferred media	Work: CIO.com, Quora, Stackexchange for queries Home: Medium blogs, Boarding and Ultra magazines
Social media use	Work: Twitter (for keeping informed); LinkedIn (for career) Home: Facebook and Instagram (daily)
Devices	Macbook Pro Latest iPhone

Customer journey map

	Stage 1: Awareness (Discover)	Stage 2: Evaluation (Compare)	Stage 3: Decision (select)
Media touchpoints	Google Quora CIO.com	Clouds360.com G2Crowd.com itadvisory.com	G2Crowd.com Brand searches
Key questions	Cost savings for business case Time to implement? Potential risks	Independent service quality assessments? Implementation project tasks Cost breakdown	What happens when there is downtime? How do I escalate? How is agreement purchased?
Searches	*IaaS Benefits and risks* *Cloud-based servers* *Virtual servers and load balancers*	*Top IaaS providers* *Managed cloud providers* *Support quality IaaS*	*IaaS reviews* *Azure vs Amazon Web Service* *Pricing Azure vs AWS*
Key content (Types and formats)	Proof points - speed to market Benefits of managed cloud (top-level video and whitepaper) Process of migration	Gartner magic quadrant Service levels Implementation case studies/success stories Why 'company name'	Detailed service level agreement How it works - dedicated support contact Details of team certifications for AWS Options when major problem/deadline?
Interactive tools	Cost savings calculator	Webinar on how to choose a cloud service	Video case study of onboarding

Source: Created by Dave Chaffey for a B2B company project; Felix Mizioznikov/Shutterstock

Mini case study 2.4 Personas 'with wings'

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

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

'The thrill seeker
He's 24 years old
Graduated from college 2 years ago with an English degree
He is currently the assistant manager at a ski & board shop
He makes £30,000 a year.

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

When developing a persona, a brand needs to understand how it is differentiated in the marketplace and use consumer data to understand consumer needs and behaviours in relation to the brand. By looking at a number of different variables, it should become possible for marketers developing digital campaigns to empathise with a particular target audience and develop digital campaigns that not only attract but also meet the needs of the audience as well as delivering benefits for engaging with the campaign – thereby creating a win–win outcome for the company and its customers.

The buying process

Customer characteristics are important to understand in relation to the buying process. According to Kotler *et al.* (2020), there are different stages in the buying process. At each stage the purpose (from both the buyer and supplier perspective) is a particular outcome:

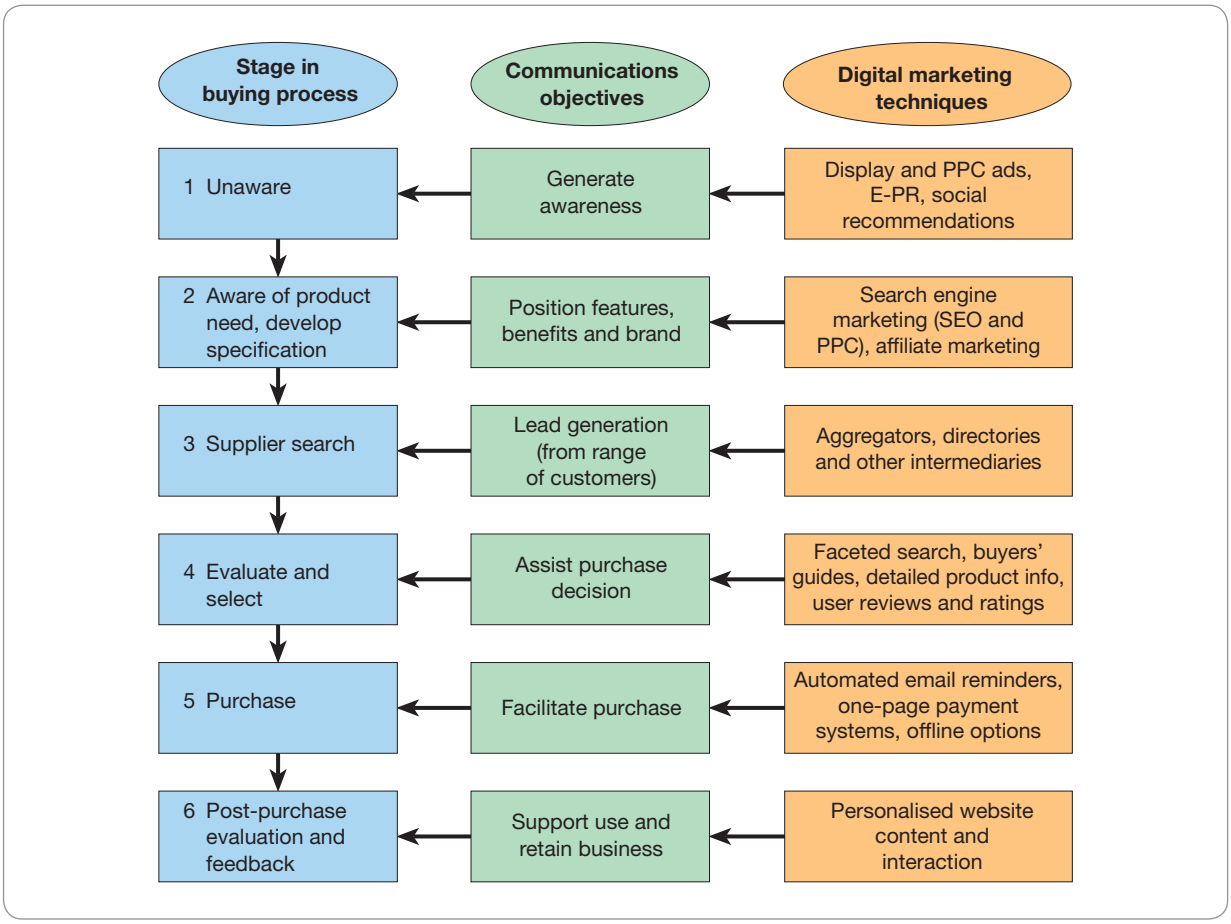
- awareness;
- interest;
- evaluation;
- trial;
- adoption.

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

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

Figure 2.11 gives a summary of how digital channels can be used to support the different stages in the buying process. Note that social media can potentially support each stage as consumers ask others via social networks for recommendations, or read reviews and ratings. The boxes on the left show the typical stages that a new prospect passes through, according

Figure 2.11 A summary of how digital media can impact on the buying process for a new purchaser



to, for example, Robinson *et al.* (1967). A similar analysis was performed by Berthon *et al.* (1998), who speculated that the relative communications effectiveness of using a website in this process gradually increased from 1 to 6.

Figure 2.11 shows stages in the buying process and the following section considers how digital channels can be effective at different stages to support the marketing communications objectives. Of course, the exact stage of the buying decision varies for different products and different types of customers. In general, digital media support the consumer buying process as follows.

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

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

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

Once a consumer is aware of a need and is considering what features and benefits he or she requires from a product or online service, then they may turn straight to the web to start identifying the range of features available from a particular type of product using a generic search on search engines such as Google, Bing, Baidu and Yahoo. Influencing consumers through search engine marketing and affiliate marketing is important at this stage. Specification development effectively happens at the same time as supplier search and more suppliers can be evaluated in greater depth than traditionally.

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

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

4 Consumer: evaluate and select Company: assist purchase decision

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

5 Consumer: purchase Company: facilitate purchase

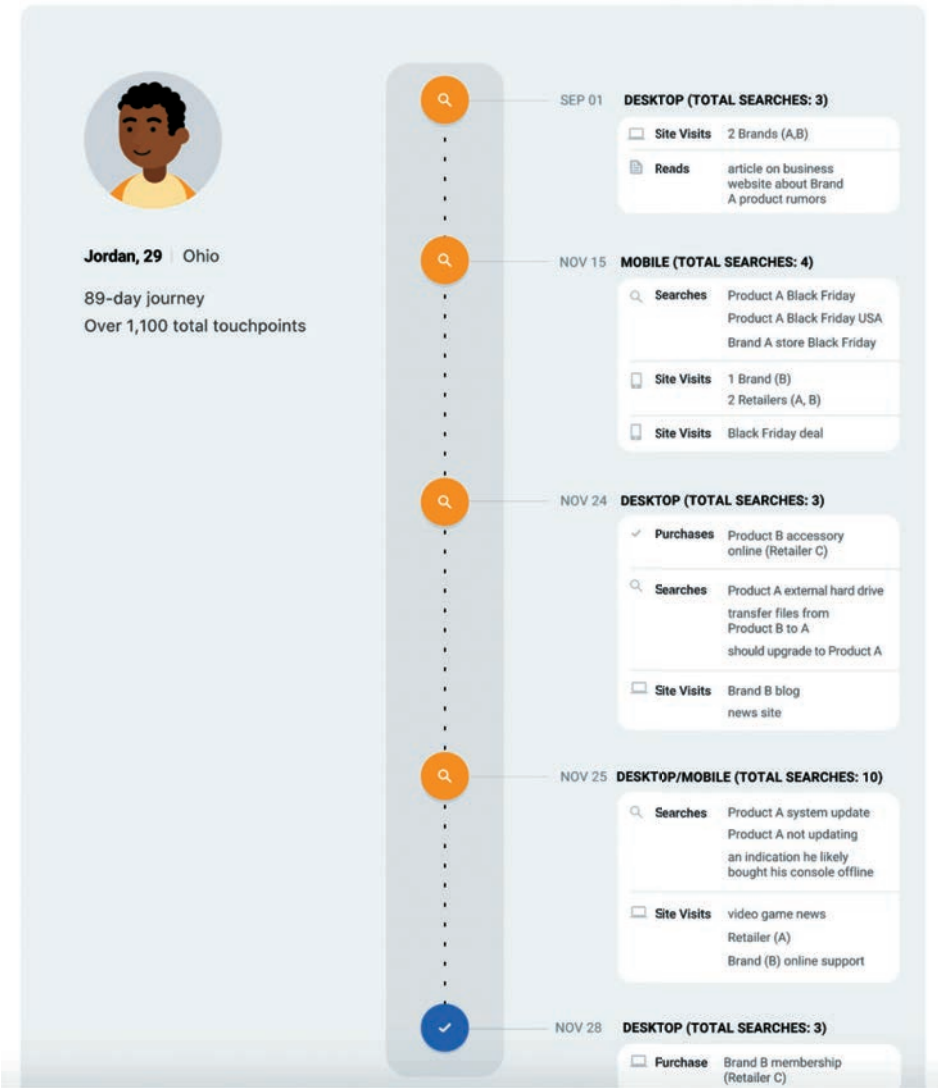
Once a customer has decided to purchase, then the company will not want to lose the custom at this stage! The website, app or social media site should enable standard credit card payment mechanisms with the option to place the order by phone or mail. Online retailers pay great attention to identifying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

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

The internet also provides great potential for retaining customers, as explained in Chapter 6, since:

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

Figure 2.12 Example customer of journey for purchasing headphones



Source: Google LLC (2018)

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

Figure 2.12 shows an example of purchasing influences for a real-world customer journey for a gamer selecting headphones. Influences include gaming blogs, comments on forums and videos.

Competitor analysis

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

The shape and nature of online competitive markets

According to Jobber and Ellis-Chadwick (2020), 'an industry is a group of firms that market products that are close substitutes for each other'. However, some industries are more profitable than others, some are reasonably stable, while others are highly volatile. The variance between industrial sectors and specific markets is not all down to the abilities of the companies within the market to produce customer satisfaction. There are various forces that *shape the rules of competition*. Porter's Five Forces model (Porter, 1980) has been widely used to help analyse the shape of competition and it is the nature of the forces and how they combine, he suggests, that ultimately allows the five competitive forces to shape strategy and determine how companies compete (Porter, 2008), see Table 2.2 for the impact of this model in relation to the internet. More recently, Porter and Heppelmann (2014) have discussed the ways in which information technology is revolutionising products and in doing so has created a new wave of technology-driven competition. Smart products have three core elements: 1) the physical components; 2) the smart component; and 3) connectivity, for example a car that is linked to a diagnostic machine, or continual monitoring of the vehicle's performance, which then enables remote upgrades, as offered by Tesla. These authors also suggest that smart-connected products have new capabilities, which have tremendous potential to influence the competitive marketplace: monitoring, control, optimisation and autonomy. For example, the iRobot Roomba™ vacuum cleaner has sensors and software, which enables automated cleaning of multiple room layouts. As such products develop, they become able to learn and self-diagnose the service needs of the product owner and eventually the product can operate with very few human interventions.

Porter and Heppelmann (2014) say that 'smart-connected products will have a transformative effect on industry structure'. But they also argue that the well-established five

Table 2.2 Impact of the internet on the five competitive forces

Bargaining power of buyers	Bargaining power of suppliers	Threat of substitute products and services	Threat of new entrants	Rivalry between existing competitors
The power of online buyers is increased since they have a wider choice and prices are likely to be forced down through increased customer knowledge and price transparency (see Chapter 5)	When an organisation purchases, the bargaining power of its suppliers is reduced since there is a wider choice and increased commoditisation due to e-procurement and e-marketplaces	Substitution is a significant threat since new digital products or smart products can be readily introduced	Barriers to entry are reduced, enabling new competitors, particularly for retailers or service organisations that have traditionally required a high-street presence or a mobile sales force	The internet encourages commoditisation, which makes it less easy to differentiate products
For a B2B organisation, forming electronic links with customers may deepen a relationship and it may increase switching costs, leading to 'soft lock-in'	The reverse arguments regarding bargaining power of buyers	The introduction of new substitute products and services should be carefully monitored to avoid erosion of market share Internet technology enables faster introduction of products and services This threat is related to new business models, which are covered in a later section in this chapter	New entrants must be carefully monitored to avoid erosion of market share Internet services are easier to imitate than traditional services, making it easy for 'fast followers'	Rivalry becomes more intense as product lifecycles decrease and lead times for new product development decrease The internet facilitates the move to the global market, increasing the number of competitors

forces model still provides a solid foundation for understanding how technology is reshaping competition and industry structure (shown in Table 2.2). The five competitive forces are:

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

Bargaining power of buyers

This force is important in both B2C and B2B trading situations. From a B2C perspective, the bargaining power of the retail shopper is greatly increased when they are buying through digital channels such as the internet as they are able to evaluate products and compare prices. This is particularly true for standardised products where offers from different suppliers can be readily compared through online intermediaries such as search engines and price comparison sites, e.g. Kelkoo™ or Pricerunner™. Furthermore, smart-connected products using the IoT, as described in Chapter 7, are increasing opportunities for differentiation. The information provided through product connectivity allows manufacturers to know more about how customers actually use their products and services and this insight enables the creation of better-value goods and services. This knowledge can be used to become more efficient, alter distribution channels and become increasingly responsive to changes in market demand. More tailored and personalised products and services give firms the opportunity to provide more services to their customers and ultimately to generate more profits.

Bargaining power of suppliers

Traditional trading relationships are being challenged in the digital marketplace. Leading tech brands, e.g. Google, Apple, AT&T™, have developed specific capabilities and resources, which they can deploy especially when the demand for connected products and services increases. This gives these firms high bargaining power, especially as the features of smart products become more universal. For example, the Renault–Nissan–Mitsubishi Alliance, General Motors™, Audi™ and other major car manufacturers joined together to use the Google Android operating system in their new cars (Liao, 2018; Porter and Heppelmann, 2014). The fundamental change that is occurring is that the basis of competition shifts away from a single product (from a single firm) towards a wider *product system* (multiple firms).

Threat of substitute products and services

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

Threat of new entrants

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

However, to succeed, new entrants need to be market leaders in executing marketing and customer service. These are sometimes described as *barriers to success* or *hygiene factors*

rather than *barriers to entry*. But new entrants in the digitally connected world are now being challenged by high costs associated with developing complex connected and integrated products and services. According to Porter and Heppelmann (2014), barriers to entry increase when highly agile tech firms are able to leverage first-mover advantage (based on their superior capabilities and resources). But barriers can go down when completely new digital products and services bypass the existing incumbents in a market.

Intensity of rivalry

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

By using the five forces model for analysing the structure and nature of the competition, digital marketers can gain insights into how firms compete in a particular marketplace. According to Porter and Heppelmann (2014), the competitive boundaries are expanding to encompass sets of related products and, as a consequence, the 'basis of competition thus shifts from the functionality of a discrete product to the performance of a broader product system'. But these authors also remind us that it is important not to lose sight of the end user – for example, adding functionality that buyers don't want to pay for doesn't add value.

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

Competitor analysis and benchmarking techniques

Competitor analysis
Identifying the companies that are competing for an organisation's business and then reviewing what they are good at, what their strengths are, where their weaknesses are, what they are planning, where they want to take the company and how they behave when other companies try to take their market share.

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

Competitor analysis and benchmarking of competitor use of digital marketing for acquisition and retention of customers is especially important because of the dynamic nature of smart-connected digital products. As Porter and Heppelmann (2014) have suggested, this dynamism enables new services to be launched and elements of the marketing mix, such as price and promotion, to be changed far more frequently in the digital era. Copying of concepts and approaches within sectors is rife, but can sometimes be controlled through patenting. For example, Amazon patented the 'One Click' approach to purchase, so this term and approach was not seen on other sites until 2017, when the patent expired. The implication of this dynamism is that **competitor benchmarking** is not a one-off activity while developing a strategy, but rather it needs to be continuous.

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

Benchmarking of services has different perspectives that serve different purposes:

1. **Internal capabilities:** such as resourcing, structure and processes vs *external customer-facing* features of the sites.
2. **Different aspects of the customer lifecycle:** customer acquisition, conversion to retention. Capabilities are benchmarked in each of the activities shown in Table P.1 in the Preface.

For example, what are the capabilities of a competitor within search marketing through reviewing their presence in the paid and natural listings of the search engines?

3 **Qualitative to quantitative:** from qualitative assessments by customers through surveys and focus groups to quantitative analysis by independent auditors of customer acquisition such as those featured in Tables 2.1 and 2.3. Examples of KPIs include number of site visitors or reach within market, cost of acquisition, number of customers, sales volumes and revenues and market share; conversion (average conversion rates) and retention such as repeat conversion and number of active customers.

4 **In-sector and out-of-sector:** benchmarking against similar sites within sector and reviewing out of sector in sectors that tend to be more advanced, e.g. online publishers, social networks and brand sites. Benchmarking services are available for this type of comparison from analysts such as Bowen Craggs Index (**www.bowencraggs.com**). An example of one of their benchmark reports is shown in Figure 2.13. You can see that this is based on the expert evaluation of the suitability of the site for different audiences as well as measures under the overall construction (which includes usability and accessibility), message (which covers key brand messages and suitability for international audiences) and contact (which shows integration between different audiences).

5 **Financial to non-financial measures:** through reviewing competitive intelligence sources such as company reports or tax submissions, additional information may be available on turnover and profit generated by digital channels. But other forward-looking aspects of the company's capability that are incorporated on the balanced scorecard framework (see Chapter 4) should also be considered, including resourcing, innovation and learning.

6 **From user experience to expert evaluation:** benchmarking research should take two alternative perspectives, from actual customer reviews of content and usability to expert evaluations.

In the physical world, a company's competitors tend to be visibly active in any given market and therefore are well known. However, in digital environments there may be new entrants that have the potential to achieve significant market share, which are less visible until they grow to a significant size. As a consequence, companies may need to benchmark performance of both existing and new players. Companies should review:

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

Table 2.3 recommends marketing activities that can be benchmarked, structured across the customer lifecycle using the RACE planning framework. We have designed this as a practical

Figure 2.13 Benchmark comparison of corporate websites

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

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

Table 2.3 Competitor benchmarking elements to review across the RACE planning framework

RACE goal	Marketing activities and communications to review	Tools and techniques to support benchmarking
Reach – grow your audience using paid, owned and digital media	1. Website – compare reach of website including unique visitors by digital channel 2. Organic search marketing – keyword visibility, number of backlinks, site speed 3. Paid search marketing – number of keywords targeted, average positions and cost-per-click 4. Organic social media – content strategy of pages used to drive reach 5. Digital advertising – using programmatic and paid social media – types of ads used 6. Digital intermediaries – depending on sectors these may include comparison sites, aggregators, influencers and co-marketing (B2B)	1. Website audience intelligence tools such as **similarweb.com** and **alexa.com** 2. Search marketing tools such as **SEMRush.com** and **Ahrefs.com** showing ranking for target keywords. Google site speed tools 3. Google Ads impression share measure and competitive analysis from **Spyfu.com** and **SEMRush.com** 4. Direct comparison of followers or using tools such as **Socialbakers.com** and **Falcon.io** 5. **Adbeat.com** and **WhatRunsWhere.com**. Ad retargeting to support other parts of RACE can also be reviewed after sites have been visited 6. Manual review of intermediaries appearing in search results for defined customer keywords
Act – prompt interactions to encourage subscribers and leads	1. Customer journeys – what are the main outcomes the site or app is looking to achieve? 2. Explaining brand value proposition – how is the offer explained, how is it differentiated? 3. Audiences targeted and profiling – assess call-to-action and content appealing to specific audiences 4. Lead generation – what are lead magnets, i.e. offers or content used to encourage people to subscribe? 5. Content strategy – how is content used to support consumer decision-making on the path to purchase?	1. A manual assessment of navigation and home page calls-to-action 2. A manual review of key messages, tone of voice and validation on home page, landing pages and conversion pages 3. A manual review of direct appeals to audiences and profiling through fields on forms 4. Assess lead magnets on home page and how they differ for services in different sections of site 5. Includes top-of-funnel for lead generation, but also middle-, bottom-of-funnel content, blog, resource centres and branded content
Convert – achieve sales online or offline	1. Email communications – contact strategy for welcome and nurture emails 2. Pricing and promotions – comparing pricing and discounts for selected products 3. Distribution options – options for delivery where relevant 4. Conversion rate optimisation – changes to key pages can be monitored 5. Assisted selling – review use of LiveChat and conversational marketing tools	1. **Benchmarkemail.com** for creative comparison and ReturnPath (from Validity) for deliverability 2. Paid services such as **Pricezag.com** and **Minderest.com** 3. For example, delivery fees and click-and-collect 4. Page monitoring using **wachete.com** or **Changetower.com**. Use of CRO tools and other martech can be assessed using **Builtwith.com** or **Similartech.com** 5. Tools such as **Intercom.com**
Engage – encourage repeat business and advocacy	1. Customer onboarding – how are new customers welcomed? 2. Customer loyalty – are loyalty schemes used? 3. Customer service and community – how is customer service delivered? 4. Customer email communications – including targeted offers and customer newsletter 5. Ad retargeting – also relevant for Act and Convert	1. Manual review requiring mystery shopping 2. Manual review including different levels 3. Manual review of community or forum options, including social media 4. **Benchmarkemail.com** for creative comparison and ReturnPath for deliverability 5. Manual review of ads or using **Adbeat.com** and **WhatRunsWhere.com**

competitor benchmarking framework that can be used for student case studies or to support digital marketing plans. The tools referred to may have freemium options, which can be used for no fee. Links to these services are provided at **davechaffey.com/book-support**.

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

Suppliers, publishers, intermediaries and influencers

Traditionally, suppliers deliver the goods and services a business needs to carry out its business activities further down the supply chain. In the digital marketplace, the supply chain can take many different forms depending on whether physical or digital products are involved.

The most significant aspect of monitoring suppliers in the context of digital marketing is with respect to the effect suppliers have on the value of quality of product or service delivered to the end customer. Key issues include the effect of suppliers on product price, availability, design and creative features. Digital channels have had a significant impact in some business activity sectors, resulting in new channel structures for supply chains and new types of suppliers, which offer specialist services to the digital industry as a whole. Some new types of suppliers act as intermediaries and offer a wide range of specialist services including website development, technology management and integration.

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

Publishers

Established publishers such as *The Economist*™, *Financial Times*™, *New York Times*™ and consumer magazines still have print and online versions that offer subscriptions. However, there are also options to gain visibility via online-only publishers such as the *Huffington Post*™, *Politico*™, *Mashable*™ and *BuzzFeed*™, which have built up considerable reach and influence. Many specialist online publishers and blogs have developed, catering for specific consumer and business interests. Identifying specialist sites on which to gain visibility may be a better option for reaching and influencing target audiences.

From a digital marketing perspective, online publishers or media sites can provide different services for a business to reach target audiences using the paid, owned and earned media:

- **Paid media:** many publishers belong to ad networks where they sell their ad inventory for programmatic display advertising or via the Google Display Network and Facebook Audience Network, where they can be targeted based on content viewed or their profile.
- **Owned media:** publishers will also have their own social media platforms, which may give additional opportunities to reach target audiences.
- **Earned media:** opportunities to publish native advertising, guides or guest blogs may also be available.

As part of situation analysis, businesses should identify potential publishers and other intermediaries they seek to work with by benchmarking against how competitors are using them. It can be useful to identify the most important publishers, determine the best media mix to use, develop relationships with editors and weight paid media investment to the most effective sites.

Intermediaries

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

Destination website
Site typically owned by a retailer or manufacturer brand, which users are encouraged to click through to.

Online intermediary sites
Websites that facilitate exchanges between consumer and business suppliers.

Digital marketing intermediaries are firms that can help a company to promote, sell and distribute its products or services. They should not be confused with internet service providers, which provide hosting services. In the internet context, digital marketing intermediaries can be contrasted with destination sites, as shown in Figure 2.4, which are typically merchant sites owned by brands, manufacturers or retailers that offer information and products (in reality any type of website can be a **destination website**, but the term is generally used to refer to merchant and brand sites).

Online intermediary sites provide information about destination sites and are a means of connecting internet users with product information. The best-known online intermediaries are publishers or media sites covering general news and entertainment. Other consumer intermediaries provide price comparison for products, although they face competition from publishers and Google, who can also provide price comparison services. If you consider comparison sites in your country in sectors such as retail, travel or financial services you will find that there are some international providers, but also country-specific intermediaries.

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

Online marketplaces have created multiple opportunities for businesses to trade and engage with their customers in innovative ways. In this final section of the chapter, we discuss the implications of new channel structures and digital business models.

New channel structures

Channel structure
The configuration of partners in a distribution channel.

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

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

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

Figure 2.14 illustrates disintermediation in a graphical form for a simplified retail channel. Further intermediaries, such as additional distributors, may occur in a business-to-business market. Figure 2.14(a) shows the former position where a company marketed and sold its products by 'pushing' them through a sales channel; it also shows two different types of disintermediation in which the wholesaler (b) or the wholesaler and retailer (c) are bypassed, allowing the producer to sell and promote direct to the consumer. The benefits of disintermediation to the producer are clear – it is able to remove the sales and infrastructure cost of selling through the channel, and some of these cost savings can be passed on to the customer in the form of cost reductions.

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

Moreover, since purchasers of products still require assistance in the selection of products, this has led to the creation of new intermediaries, a process referred to as **reintermediation**. Figure 2.15 compares and contrasts disintermediation and reintermediation.

Figure 2.14 Disintermediation of a consumer distribution channel showing: (a) the original situation; (b) disintermediation omitting the wholesaler; and (c) disintermediation omitting both wholesaler and retailer

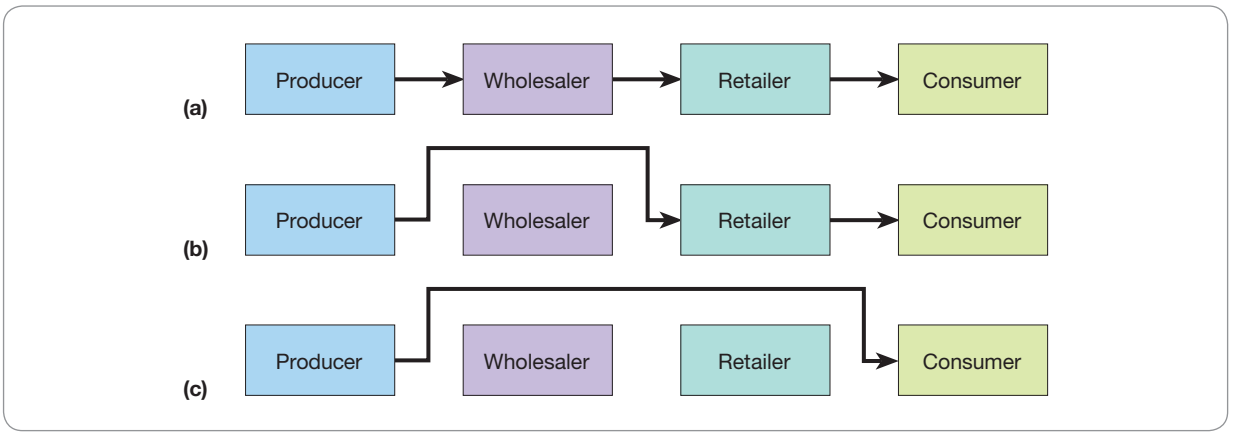
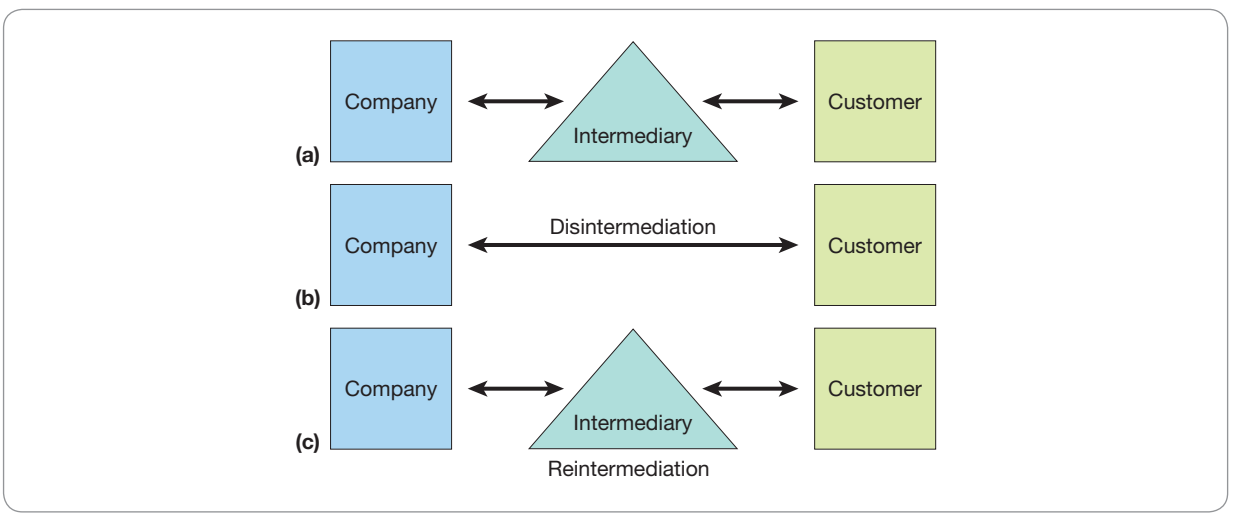


Figure 2.15 From (a) original situation to (b) disintermediation or (c) reintermediation or countermediation



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

Second, it is important to monitor the ranges and prices of other suppliers within this sector (possibly by using the intermediary website for this purpose). Third, long-term partnering arrangements such as sponsorships need to be considered. Finally, it may be appropriate for the company to create its own intermediary to compete with existing intermediaries or to pre-empt similar intermediaries. For example, AliExpress was set up by Alibaba Group China's global business-to-business trading platform to compete with Amazon; and US Expedia Group set up the Trivago hotel price comparison site as a challenger for **Booking.com** and Tripadvisor.

Digital business models

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

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

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

An example of how these nine different elements of a business model can be applied is shown in Figure 2.16.

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

Key performance indicators (KPIs)
Metrics used to assess the performance of a process and/or whether set goals are achieved.

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

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

A review of the different **online business models** made available through e-commerce is of relevance to existing companies, but in particular startup companies and online intermediaries. Early research (Venkatram, 2000) highlighted how existing businesses needed to use the internet to build on current business models, while at the same time experimenting with new business models. While most large organisations have incorporated digital channels

Figure 2.16 Example of a business model canvas summary

Business model summary

Created for: SmartInsights.com
By: Dave Chaffey

Date: 1st May 2013
Version:1.0

KP: key partners
- Experts – sector specialists
- Marketing agency and freelancers
- Online Publishers e.g. iMedia Connection
- Publishing/conference organisers
- Industry influencers and bloggers
- Trade organisations e.g. www.theidm.com

KA: Key activities
- Content creation
- Experience creation
- Service promotion
- Sales maximisation

KR: Key resources
- Content creation X2
- Development X2
- Marketing X1

VP: Value proposition
- Help businesses grow value by improving cross channel marketing communications using recommendations from ebooks, courses and software
- Support individual learning and development
- Deliver specific consulting or training advice or mentoring

CR: Customer relationships
- Self-service
- Dedicated mentoring and consulting
- Co-creation – blog posts and forum

C: Channels
- Search marketing
- Email marketing
- Partner arrangements
- Social media marketing
- Paid advertising

CS: Customer segments
Businesses wanting to improve their returns from marketing

Role:
- Company owners
- Marketing managers
- Digital marketing managers
- Consultants

Company type/sector
- Consultant
- Business type
- Agency
- B2B
- Ecommerce/retail
- Not-for-profit

C: Cost structure
Fixed costs
- Salary
- Hosting and software costs

Variable costs
- Content creation
- Agency marketing fees
- Adverstising fees

RS: Revenue stream
- Annual subscription to companies and individuals
- Individual product purchase
- Ad revenue
- Consulting and training (direct and affiliate)
- Licensed contact revenue

Source: Smart Insights (Marketing Intelligence) Ltd

and models into their business planning, there are still thousands of small businesses that remain completely disconnected. Changes in the marketing environment have intensified the importance of an online presence; social media platforms provide ways to engage, interact and communicate with a variety of target audiences. Other events such as the COVID-19 global pandemic have created huge challenges for business, with governments around the globe imposing restrictions, which have forced businesses to temporarily close down physical operations and for customers to adhere to stay-at-home orders. In these circumstances businesses have been forced to adapt business models to explore and capitalise on online opportunities (Seetharaman, 2020).

Adapting to the demands of the marketplace often leads to new business models, which may be important to sustain or gain a competitive advantage over existing competitors, while at the same time heading off similar business models created by new entrants. More commonly, they may simply offer a different revenue stream through advertising or charging for services in a new way. For digital startups the viability of a business model, and in particular their sources of revenue, will be reliant on funding from venture capitalists.

Digital revenue models

Revenue models
Describe methods of generating income for an organisation.

Revenue models describe different techniques for generation of income. For existing companies, revenue models have mainly been based upon the income from sales of products or services. This may be either for selling direct from the manufacturer or supplier of the service or through an intermediary that will take a cut of the selling price. Both of these

revenue models are, of course, still crucial in online trading. There may, however, be digital options for generating revenue; a manufacturer may be able to sell advertising space or sell digital services that were not previously possible.

Digital publisher and intermediary revenue models

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

Cost-per-thousand (CPM)
The cost of placing an ad viewed by 1,000 people.

1. **CPM display advertising on site.** **CPM** stands for **'cost-per-thousand'**, where M denotes '*mille*'. This is the traditional method by which site owners charge a fee for advertising. The site owner charges advertisers a rate card price (for example £50 CPM) according to the number of times ads are served to site visitors. Ads may be served by the site owner's own ads server or more commonly through a third-party ad network service such as DoubleClick (which is owned by Google).

Cost-per-click (CPC)
The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

2. **CPC advertising on site (pay-per-click text ads).** **CPC** stands for **'cost-per-click'**. Advertisers are charged not simply for the number of times their ads are displayed, but according to the number of times they are clicked upon. Facebook has a choice of CPC or CPM for its advertisers. Google Ads is primarily CPC for sponsored ads displayed to searchers, but it offers CPM on content network of publishers known as the Google Display Network (GDN). Google has its AdSense programme (**http://adsense.google.com**) for publishers that enables them to offer text- or image-based ads typically on a CPC basis, but optionally on a CPM basis. Typical CPCs for search ads can be surprisingly high, i.e. they are in the range £0.10 to £4, but sometimes up to £20 for some categories such as 'life insurance'. The revenue for search engines and publishers from these sources can also be significant: Google's annual reports (**http://investor.google.com**) show that this is around one-fifth of Google's ad revenue.
3. **Sponsorship of site sections or content types (typically fixed fee for a period).** A company can pay to advertise a site channel or section. For example, a healthcare firm could sponsor all articles in the relevant section of a publisher site. This type of deal is often struck for a fixed amount per year. It may also be part of a reciprocal arrangement, sometimes known as a 'contra-deal', where neither party pays.
4. **Affiliate revenue (CPA, but could be CPC).** Affiliate revenue is commission based – for example, if an Amazon book is sold via an ad on **www.DaveChaffey.com**, around 5 per cent of the cover price is received as a fee from Amazon. Such an arrangement is sometimes known as **cost-per-acquisition (CPA)**. Increasingly, this approach is replacing CPM or CPC approaches where the advertiser has more negotiating power. For example, manufacturing company Unilever negotiated CPA deals with online publishers where it paid for every email address captured by a campaign rather than a traditional CPM deal. However, it depends on the power of the publisher, who will often receive more revenue overall for CPM deals. After all, the publisher cannot influence the quality of the ad creative or the incentivisation to click, which will affect the clickthrough rate and so earnings from the ad.

Cost-per-acquisition (CPA)
The cost of acquiring a new customer or achieving a sale. Typically limited to the communications cost and refers to cost-per-sale for new customers. May also refer to other outcomes such as cost-per-quote or enquiry.

5. **Transaction fee revenue.** A company receives a fee for facilitating a transaction. Examples include eBay and PayPal who charge a percentage of the transaction cost between buyer and seller.

Freemium
A business model where some services or content are provided free of charge to enable the service to be trialled while other content or more advanced features must be paid for.

6. **Subscription access to content or services.** A range of documents can be accessed from a publisher for a fixed period. These are often referred to as premium services on websites. Publishers often use a **freemium** revenue model where subscribers gain free access to a limited number of sample articles or downloads, but this is limited or metered. This is a common approach on newspaper publishers' websites today, which may restrict to three articles per month, for example.

Digital rights management (DRM) The use of different technologies to protect the distribution of digital services or content such as software, music, movies or other digital data.

7 **Pay-per-view access to documents.** Here payment occurs for single access to a document, video or music clip that can be downloaded. It may or may not be protected with a password or **digital rights management (DRM)**. I, for example, pay to access detailed best-practice guides on internet marketing from Marketing Sherpa (**www.marketingsherpa.com**).

8 **Subscriber data access for email marketing.** The data a site owner has about its customers are also potentially valuable since it can send different forms of email to its customers if they have given their permission that they are happy to receive email from either the publisher or third parties. The site owner can charge for adverts placed in its newsletter or can deliver a separate message on behalf of the advertiser (sometimes known as a co-branded email). A related approach is to conduct market research with the site customers.

Forecasting revenue for an online business

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

Consider the capacity of a site owner to maximise revenue or 'monetise' its site – which factors will be important? The model will be based on assumptions about the level of traffic and number of pages viewed plus the interaction with different types of ad unit. Their ability to maximise revenue will be based on these factors, which can be modelled in the spreadsheet shown in Figure 2.17:

- **Number and size of ad units.** This is a delicate balance between the number of ad units in each site section or page – too many obtrusive ad units may present a bad experience for site users, too few will reduce revenue. Figure 2.17 has a parameter for the number of ad units or containers in each ad revenue category. There is a tension with advertisers who know that the awareness and response they generate from their ads is maximised when they are as large as practical and in prominent placements. A more accurate revenue model would develop revenue for different page types such as the home page and different page categories, e.g. the money or travel sections.
- **Capacity to sell advertising.** Figure 2.17 also has a parameter for the percentage of ad inventory sold in each category – for example, for the CPM ad display revenue only 40 per cent of inventory may be sold. This is why you may see publisher sites with their own 'house ads' – it is a sign they have been unable to sell all their ad space. A benefit of using the Google AdSense publisher programme is that inventory is commonly all used.
- **Fee levels negotiated for different advertising models.** These will depend on the market competition or demand for advertising space. For 'pay-per-performance' advertising options such as the CPC and CPA models, it also depends on the response. In the first case, the site owner receives revenue only when the ad is clicked upon and in the second case, the site owner receives revenue only when the ad is clicked upon and a product is purchased on the destination merchant site.
- **Traffic volumes.** More visitors equate to more opportunities to generate revenue through serving more pages (which helps with CPM-based advertising) or more clicks to third-party sites (which helps generate revenue from CPC and CPA deals).
- **Visitor engagement.** The longer visitors stay on a site (its 'stickiness'), the more page views that will accumulate, which again gives more opportunities for ad revenue. For a destination site a typical number of page views per visit would be in the range five to ten, but for a social network, media site or community the figure could be greater than 30.

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

Figure 2.17 Revenue model spreadsheet

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

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

Orange cells = Output variables (calculated – **do not overtype**)

Source: Smart Insights (Marketing Intelligence) Ltd

is revenue per click (RPC), also known as 'earnings per click' (EPC). Alternatively, revenue can be calculated as ad revenue per 1,000 site visitors. This is particularly important for affiliate marketers who make money through commission when their visitors click through to third-party retail sites, and then purchase there.

To conclude this chapter, read the following case study about L'Oreal Paris, the international cosmetics brand. We can learn how this global brand has utilised digital channels and technologies to become a Digital First global corporation.

Case study 2 Creating the beauty that moves the world

Source: Monticello/Shuterstock

Context and company background

This case study explores the strategy and management adopted by L'Oréal Group when deploying digital technologies to advance market share to build a *Digital First* company and achieve digital transformation for the group.

The L'Oréal Group consists of four divisions: Consumer Products, Professional Products, Active Cosmetics and L'Oréal Luxe. Each division serves different and distinct markets, with highly recognisable brands including Maybelline, L'Oréal Paris, Lancôme, Vichy, Matrix and Helena Rubenstein. Each division has utilised various digital technologies and channels to achieve corporate goals through this transformative period. All divisions have embraced digital to leverage competitive advantage and create value for their target customers.

L'Oréal's product ranges are extensive: skincare, cosmetics, makeup, haircare and fragrances, and as a result the company can tailor products to meet the needs of almost every customer who is in the market for beauty products around the world.

Company purpose and mission

L'Oréal Group operates in the beauty sector and its corporate goals seek to provide everyone with the opportunity to access excellent-quality beauty products, which are produced safely and responsibly. This goal statement gives the group the opportunity to focus its strategy and management on the business of product innovation and delivering customer value while adhering to exacting ethical principles and valuing diversity. Digital is now playing a very important part.

Strategic digital transformation

This organisation has had a long tradition of responding to the external macro-environment since its foundation in 1909, so it is no surprise that the senior management team has closely monitored the rising significance of digital technologies, given the implications for research and development, product innovation, communications and consumer behaviour. This global company's history of innovation has enabled it to become the largest beauty company in the world, with over 500 brands.

Internally, the micro-environment is also very focused, active and lively. Since 2006, when Jean-Paul Agon joined as CEO, the group has doubled its revenue to €30 billion. By fostering an organisational culture that is said to be demanding, managers are expected to be dynamic and 'should cultivate *saine inquietude*, or "healthy disquiet", among their teams, so as to see who rises to the occasion – and who sinks' (Abboud, 2020). Mr Agon refers to employees as a tribe, and this means sharing customs, codes and values, which enables the culture of the organisation to transcend international borders and fosters internal collaboration and communication. When it comes to digital transformation, fast pace of change was seen as a matter of survival. So, demands on the management team responsible for the digital transformation were significant. One such senior manager who has succeeded is Lubomira Rochet, who joined L'Oréal in 2015 as Chief Digital Officer, and she accepted a challenging brief: to revolutionise the organisation's approach to digital and to create 'social and digital powerhouses'.

Furthermore, the L'Oréal Group took a strategic focus when looking at how it could adapt the business to operate effectively as the world moved into the digital economy, adopting the phrase 'Digital First company'. This meant enabling digital to touch every part of the business. The impetus to change the business and adopt a technology-driven orientation was in order to reflect the changing world and the ways in which consumption was undergoing a quiet revolution.

Developing expertise and capabilities

In order to build capabilities and the appropriate expertise within the organisation for the digital transformation, there were a number of strategic acquisitions and partnerships. For example, ModiFace, a Canadian beauty tech company, was acquired for its 3D virtual tool, which provides a makeup and skin diagnosis system that is then integrated with augmented reality (AR) tools. This addition to L'Oréal was an important move designed to support the reinvention of the company's beauty business (Agnew, 2018) and create greater digital interaction with customers. ModiFace's AR, with its artificial intelligence (AI) technologies, enabled the development of real-time beauty consultations, which allowed L'Oréal to build more personalised relationships (Williams, 2018). ModiFace's digital tools enable customers to try on makeup and hair-colour products and also links to social media platforms Facebook, Instagram, WeChat and Tmall. To utilise the link with social media platforms, the Garnier brand teamed up with Google Lens and ModiFace to allow Walmart customers in the United States to scan hair-colour packages on their phones and try on the hair colour using AR. A similar approach was taken with Amazon in the United States, and Boots the Chemist in the United Kingdom (Abboud, 2020).

Personalisation on a mass scale has been a key driver of digital transformation. My Little Factory, an internal development of an automated production line, linked to the Lancôme brand, can produce personalised skincare products based on an individual customer's skin. Scanners gather customer data and then their own individual skin cream is prepared in store within 20 minutes. Viva Technology is another digital application using AI to recommend ideal skin foundation colours to customers (Ahssen, 2019).

Alongside the customer-facing changes, scaling through digital factories and data warehouses is used to improve manufacturing productivity, especially with regard to product innovation. 3D printing is used for prototyping, speeding up the design process and reducing the time to market for new products.

Additionally, there has been significant investment in staff, with recruitment of new skills to create a talent pool with special expertise, which means a blended approach bringing together business and technical knowledge. Everything the organisation does now has an *integrated Digital First* focus, with company structures digitally integrated into every aspect of the organisation (L'Oréal, 2021b).

Digital First: e-commerce and digital marketing

Since 2015 L'Oréal has been developing its e-commerce operation and it has taken five years to arrive at 12 per cent of revenue. This growth has continued and during the global pandemic interactions have increased significantly. L'Oréal's marketing team have utilised data management systems and AI to optimise customer experiences and make better use of this information to drive sales.

Digital marketing and social media platforms have been utilised to extend the reach of each of the group's divisions online. And, as a result, the company has significantly grown awareness and built up customer engagement; for example, ratings on YouTube have increased significantly, as has engaging with an increasing number of influencers. Again, this growth trend in use of digital marketing channels has been extended during the global pandemic, L'Oréal having a 40 per cent rise in interactions with consumers across channels such as Facebook Messenger and WeChat to pass 60 million interactions this year (MarketLine, 2021). Use of digital channels and social media platforms has contributed to the digital transformation by changing how the company interacts with its customers and providing greater and more detailed information on which to base business decisions.

Digital technology has been used to invent completely new-to-the-world products. One such radical innovation was a digital-only makeup tool to target consumers on Tik-Tok and Snapchat (Fleming, 2020). The digital makeup allows social media users to try products and share the results on Google Duo, Snapchat and Instagram. Signature Faces lets the user wear virtual makeup. The aim is to engage the interest of Gen Z and allow them to express themselves online and in video calls (Serrano, 2020).

L'Oréal divisions and brands

Digital First and the integrated approach to the deployment of digital technologies, tools and techniques has been utilised in each of the groups' divisions. The following are just a few examples of the different approaches showing how L'Oréal demonstrates the power of digital and how it is used to enable the digital transformation to continue to gain momentum through each division.

Consumer Products

This division has concentrated on bringing customers closer to its brands through technology by finding ways to increase consumer engagement through social media. For example, Maybelline New York has encouraged customers to recommend their favourite products and even allowed them to sell the products to their friends and followers. Consumers have also been invited to engage through voting for their favourite fragrances (L'Oréal, 2021c).

Professional Products

This division has focused on reinventing the professional trade through encouraging hairdressers to become influencers, through specialist training and through focus on consumer experiences. The professional salon teams are also given training support and digital intelligence to enable them to be better informed to meet the needs of the better-informed customers.

An opportunity has arisen through a new generation of salon owners who have grown up with digital and are now ready to use their knowledge and experiences in their businesses, supported by L'Oréal to find ways to rethink the customer experience and salon concepts. The Blond Absolu range, with vibrant formulas, hair treatments and active botanic ingredients, was launched in 2019, targeting salon customers with blonde hair. The launch campaign, headed by lead brand Kerastase, identified nine ambassadors to tell their own stories of their hair care regimes through the #YouDareWeCare. Their individual stories advocated the L'Oréal brand but also sought to inspire women around the world (L'Oréal, 2019).

Active Cosmetics

This division uses social media to build close relationships with its customers. Technical product knowledge is increasingly important and by giving consumers access to more information on skin and hair care, individuals are able to make better product choices and to enjoy the benefits of improved buying decision-making. For example, using AR and dermatological expertise, Vichy's SkinConsult application detects signs of aging so it can adapt better skin treatments. The My Skin Track UV sensor and its accompanying mobile application can also measure exposure to pollution, pollen and other climatic conditions, giving customers the very best opportunities to maintain and protect their skin.

L'Oréal Luxe

This division has benefited from clear focus and deployment of digital technologies, and international trade. L'Oréal Luxe is the leading cosmetic brand in mainland China and Lancôme is a very popular brand in this region. During the COVID-19 pandemic, this division

Source: Casimiro PT/Shutterstock

Source: Kraft74//Shutterstock

concentrated on the e-commerce side of its operation in key international markets.

Lubomira Rochet has accelerated plans during the global pandemic. For example, in Dubai, beauty advisors were given specialist training in building relationships online with customers. This approach gained traction on social media networks and livestreaming events.

Currently, e-commerce accounts for 25 per cent of trade as a whole and in the United Kingdom there has been significant growth. During the pandemic, 77 per cent of media spend was on digital. Rochet believed this to be very important to strengthen relationships with customers during this difficult and challenging time (Fleming, 2020).

Sources: Abboud (2020); Agnew (2018); Ahssen (2019); Fleming (2020); L'Oréal (2019); L'Oréal (2021a); L'Oréal (2021b); L'Oréal (2021c); MarketLine (2021); Serrano (2020); Williams (2018)

Questions

1. Discuss how digital tools and technology are driving the development of the L'Oréal Group.
2. Mass personalisation has the potential to add value for customers. Explain how each of L'Oréal's divisions benefits from this focus on the individual customer.
3. Consider the extent to which the macro- and micro-environment influences have shaped L'Oréal's Digital First strategy.
4. Choose one of the L'Oréal divisions and find out more about how it is currently utilising digital technologies and tools to meet the company's corporate goals.

Summary

1. This chapter has explored the micro-environment and how the digital marketing environment is constantly evolving and therefore should be monitored by all organisations in order to be able to respond to changes in the micro-environment or the immediate marketplace. The micro-environment is within the reach of an organisation and therefore digital marketers should be aware of the management implications that arise from this arena. To be successful it is important to understand consumer and competitor behaviour and which suppliers and intermediaries offer services that will enable a company to achieve its digital marketing goals.
2. We have explored each of the groups of players in the micro-environment. From a consumer perspective we have identified variables that are likely to be the most effective foundation for developing targeting strategies.
3. Competitors are an important group of players in the micro-environment and the internet has created major changes to the competitive environment.
4. We have examined techniques for competitive benchmarking and how to analyse competitor behaviour, which has highlighted how it is important to understand the potential strengths and weakness of the companies a company might compete with online.
5. Suppliers, publishers and intermediaries also have an important role to play in digital marketing. We have explored the services provided by these players and considered the opportunities provided.
6. Finally, we have considered the impact of digital channels on marketing activities.

Exercises

Self-assessment exercises

1. Explain the components of the digital market environment.
2. Suggest reasons why environmental scanning is necessary.
3. Summarise how each of the micro-environment factors may directly drive the content and services provided by a website.
4. Explain how you would analyse demand for digital marketing services.

5 Discuss the players in the micro-environment and suggest how their roles are changing.
6 What are the main aspects of customer adoption of digital marketing that managers should be aware of?
7 What are the main changes to channel structures that are facilitated through the internet?
8 How should a marketing manager benchmark the online performance of competitors?

Exam and discussion questions

1 Imagine you are about to set up a business online. Set out a plan for investigating the micro-environment as part of your situation analysis.
2 Evaluate the usefulness of research tools for assessing digital markets. Suggest the limitations of two search tools of your choice.
3 How does the quality of customer persona information potentially affect the effectiveness of marketing communications for B2C and B2B personas?
4 Complete a competitor benchmarking for online services for an organisation of your choice.

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics from the online micro-environment, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**.

3 The digital macro-environment

Learning objectives and topics

After reading this chapter, you should be able to:

- Consider the macro-environment factors affecting an organisation's digital marketing strategy and implementation
  - Introduction to macro-environment forces
- Evaluate the relevance of technology innovation
  - Technological forces
- Consider the legal, moral and ethical constraints of digital marketing
  - Legal forces
- Assess the relevance of social, economic and political trends
  - Social forces
  - Economic forces
  - Political forces

Case study

Case study 3: Social media and the changing face of celebrity influencers

Links to other chapters

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

- Chapter 4 looks at the development of a digital marketing strategy.
- Chapter 5 considers the internet and the marketing mix.
- Chapter 6 explores relationship marketing using automated and manual conversational messaging including chat, mobile messaging and email marketing.
- Chapter 7 looks at how to deliver the online customer experience.
- Chapter 8 describes campaign planning for digital media.

Introduction to macro-environment forces

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

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

- Political forces;
- Economic forces;
- Social forces;
- Technological forces;
- Legal forces;
- Environmental forces.

For the professional digital marketer, the most important task is to carry out a regular assessment of the forces that are shaping the online marketing environment and identify which forces have implications for their own marketing planning and strategic initiatives.

The forces listed have a different level of importance in influencing digital marketing activities. The main reason for keeping track of changes in the macro-environment is to be aware of how changes in social behaviour, new laws and technological innovation can create opportunities or threats. Organisations that monitor and respond effectively to their macro-environment can create differentiation and competitive advantages that enable the business to survive and prosper. So, in this chapter our attention is on those forces that have the greatest direct impact on digital marketing and for which practical knowledge is required when working in marketing. These are:

- **Technological forces.** Changes in technology influence marketing opportunities, create new product development opportunities, introduce new ways to access target markets through channel integration and create new forms of access platforms and applications. These relate to the digital devices, digital platforms, digital data and digital technology factors in the context of the 7Ds of managing digital marketing introduced in Figure 1.2. In this section we review how to assess adoption of technology innovations and reference specific technologies that we cover in the context of topics in future chapters.
- **Legal forces.** These determine the methods by which products can be promoted and sold online. Laws and ethical guidelines seek to safeguard individuals' rights to privacy and businesses' rights to free trade. We explain the most relevant laws businesses must comply with to protect consumer privacy.

We also briefly consider socio-economic, cultural and political macro-environment forces:

- **Social forces.** Cultural diversity among digital communities influences use of the digital development, devices and platforms and the services that businesses provide online.

- **Economic forces.** These cause variation in economic conditions and affect trading opportunities, influence consumer spending and business performance, and have significant implications for digital marketing planning.
- **Political forces.** National governments and transnational organisations have a role in determining the future adoption and control of telecommunications technology and the rules by which it is governed.

Monitoring macro-environmental forces is a significant task since major changes in the macro-environment can impact marketing activities and may, in some cases, be critical to long-term survival. Organisations that respond effectively to their macro-environment can create differentiation and competitive advantages that not only enable the business to survive, but also to prosper.

Essential digital skills — The digital macro-environment

The most important professional skill for reviewing the macro-environment is the ability to keep up to date with developments in marketing – in particular, knowing about the latest technological options and legal requirements for marketing communications in different countries.

We recommend you develop the following skills:

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

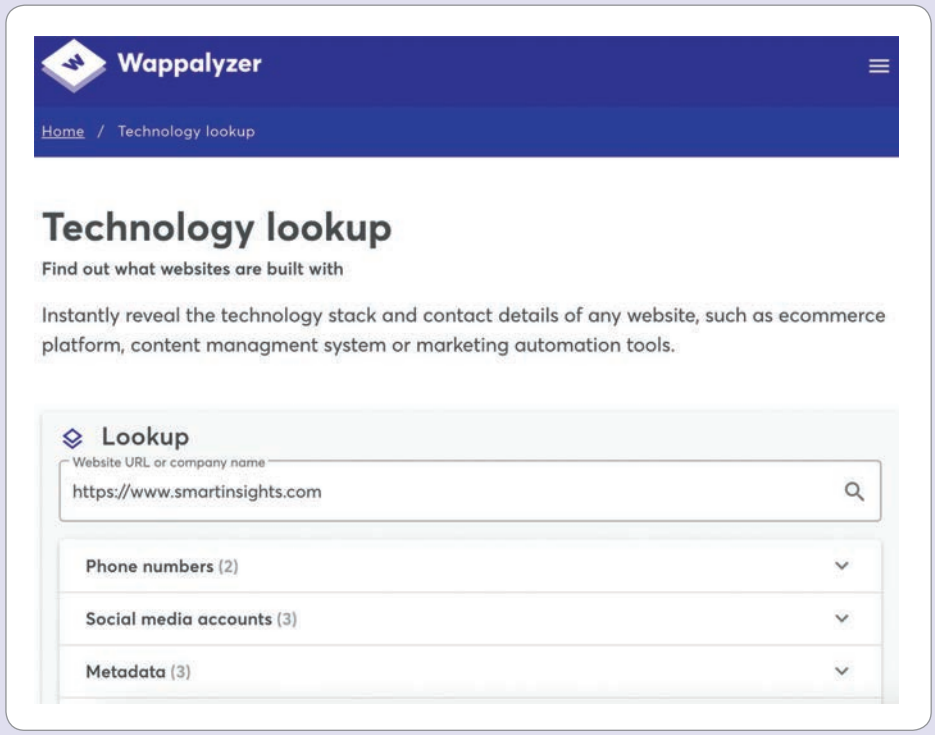
Practical ideas to boost employability by showcasing your interest and experience include:

- Registering with the trade associations in your country that keep marketers up to date with relevant laws, e.g. the Data and Marketing Association in the United Kingdom, the Association of National Advertisers in the United States and FEDMA in Europe.
- Finding out the government portals that provide guidance on privacy laws in marketing, e.g. the Information Commissioner's Office (**www.ico.org.uk**) in the United Kingdom.
- Using services such as **BuiltWith.com**™, SimilarTech™ and the Chrome extensions Wappalyzer™ (Figure 3.1) and Ghostery™ to understand the different types of marketing technology or **cloud computing** services (also covered in Chapter 10) integrated into websites.

You can use a service such as Wappalyzer™ to find the types of technology used on a site, since it analyses JavaScript code tags that are visible in the source code served by the web server. For example, for Google Analytics to be used by a site, the web server will have to be set up to use the appropriate code within the <script> tags, which are evaluated by services like Wappalyzer™. In the case of **www.smartinsights.com** there are 27 different technologies in categories such as analytics, blogs, marketing automation and social media.

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

Figure 3.1 Wappalyzer service for reviewing the marketing technology that is used to deliver a website experience and supporting communications



Source: Wappalyzer

The rate of environment change

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

Strategic agility
The capability to innovate and so gain competitive advantage within a marketplace by monitoring changes within an organisation's marketplace, and then efficiently evaluating alternative strategies, selecting, reviewing and implementing appropriate candidate strategies.

Strategic agility involves:

1. collection, dissemination and evaluation of different information sources from the micro- and macro-environment;
2. developing processes for generating and reviewing the relevance of new strategies based on creating new value for customers;

3 research into potential customer value against the business value generated;
4 implementation of prototypes of new functionality to deliver customer value;
5 measurement and review of results from prototypes to revise further to improve propositions or to end a trial.

Technological forces

Martech stack
A combination of different software services or online tools used to run all marketing operations across multiple channels including customer acquisition, conversion, retention and team communications, and to deliver customer and market insight and reporting.

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

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

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

Web browser
Browsers such as Google Chrome™, Mozilla Firefox™, Apple Safari® and Microsoft Edge™ provide an easy method of accessing and viewing information stored as HTML web documents on different web servers.

Marketers need to understand some terminology and technical details of digital and internet technology, since these can inform strategic decisions and implementation where discussions will be needed with technical colleagues or staff at agencies or consultants. As users of the web and social media, every reader will have some basic knowledge of the technical underpinning, so we don't explain these. In this section, we focus on two practical considerations of digital technology that readers are less likely to be familiar with:

1 Having the technical knowledge marketers need when involved with creating a new website, blog or social media page. This context may be required if you're involved with a new business or launching a new product or campaign.
2 Awareness of different types of marketing technologies used to support always-on and campaign-based digital marketing activities. These are sometimes referred to as a **martech stack** in larger organisations.

A short introduction to digital technology

The **internet** has existed since the late 1960s, when a limited number of computers were connected for military and research purposes in the United States to form the ARPAnet. The recent dramatic growth in the use of the internet occurred because of the development of the **World Wide Web**. This became a commercial proposition in 1993 after development of the original concept by Tim Berners-Lee, a British scientist working at CERN in Switzerland in 1989. You will know that users interact with online content accessed by devices that run desktop or smartphone-based **web browser** software, such as Google Chrome™, Microsoft Edge™, Apple Safari™ or Mozilla Firefox™. They may also use dedicated desktop or mobile apps to access content. For marketers involved with selecting the most appropriate technology to deliver content and experiences, plus promote and track the website, they will use a range of **Software as a Service (SaaS)** technologies. Figure 3.1 shows how you can evaluate the SaaS a business uses to manage its marketing. Services such as those shown in the Essential digital skills analysis can also be useful for competitor benchmarking, as described in Chapter 2, since they show the overall popularity of SaaS and you can effectively 'spy on your competitors' to see the services they use.

The SaaS approach is efficient compared to installing software, since businesses typically subscribe to different SaaS for different functions, with many offering data integration with other solutions. SaaS are sometimes free, or charge fees based on the number of users or interactions. For example, all businesses will select a **content management system (CMS)**, which marketers use to upload and edit content served to their audience. Smart Insights uses the WordPress CMS, which is often used for blogging and is open source, so free to use, and it uses Salesforce (Pardot option) for managing customer data and personalised email communications (described in Chapter 6). Many smaller businesses use the freemium Mailchimp SaaS for sending out and tracking emails, which has no fee for small volumes. Rich media,

Software as a Service (SaaS)
Business applications and software services are provided through internet and web protocols with the application managed on a separate server, from where it is accessed through a web browser on an end-user's computer with data stored within 'the cloud'.

Content management system (CMS)
An online service or software tool for creating, editing and updating online content assets such as text and visual content forming web or mobile app pages.

Streaming media server
A specialist server used to host broadcast audio (e.g. podcasts via Apple, Google Play, Spotify or Soundcloud) or video (e.g. hosted on YouTube or Vimeo, or IPTV or webcast presentations).

Uniform (universal) resource locator (URL)
A web address used to locate a specific web page on a web server.

such as audio or video content, can also be stored on an SaaS **streaming media server** with the data stored 'in the cloud'.

Promoting website addresses is important to marketing communications, so it is useful to understand the terminology. The technical name for a web address is **uniform (universal) resource locator (URL)™**.

Web addresses are structured in a standard way, as follows:

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

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

Common gTLDs used by brands:

- **.com** represents an international or American company (e.g. **www.shopify.com**);
- **.org** are not-for-profit organisations (e.g. **www.greenpeace.org**).

There are also country-code top-level domains (ccTLDs) maintained by ICANN, for example:

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

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

Domain names are part of a company's brand property and digital brand managers should protect brand abuse of domains by other companies that might register variants of competitors' brand domain names. However, domain names do not only represent threats to business and organisations (see Digital marketing insight 3.1).

URL strategy

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

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

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

Activity 3.1 What's in a URL?

This activity illustrates different types of URLs and their components and at the same time recommends websites that are useful for seeing examples of the latest campaign and macro-environment developments, such as technology and privacy developments.

Examples of URLs targeting content to marketing professionals include:

https:// www.campaignlive.co.uk – mainly serving UK marketers, focusing on PR and campaign planners.
https://www.marketingweek.com – also serving UK marketers, with a focus on client-side marketers.
https://www.thedrum.com – UK marketers, with a focus on agency-side marketers.
https://martech.org – a US service serving a worldwide audience.

Here are some of the components of these urls:

- **http** is the protocol at the foundation of the web, used for encoding information transferred between web browser and server; **https** is the secure version now used by the majority of sites;
- the *domain name* is, for example, **campaignlive.co.uk** or **marketingweek.com**;
- the *top-level domain or TLD* is uk (also known as gTLD). The uk domain is also referred to as a country-code top-level domain or ccTLD; the subdomain is www in these examples. This can be omitted when typing web addresses and is no longer shown in browsers unless the domain is set up to be a string other than 'www';
- the folder structure and filename are shown by this example:

  https://www.thedrum.com/predictions/events/363

- the query string following a '?' is often used for tracking the source of visits so they can be assessed more accurately in analytics, as explained in the section on marketing source codes covered in Chapter 8. For example, this is a link shared from The Drum's social media account for Twitter:

  https://www.thedrum.com/predictions/events/363?utm_content=predictions&utm_campaign=social&utm_source=twitter

  It was shared via a URL in its Falcon social media platform **https://fal.cn/3cYdn**

WHOIS

WHOIS (pronounced 'who is') is an online service used to look up information about a domain name. It is not an acronym. Instead, it is short for the question, 'Who is responsible for this domain name?'. Domain names are registered through businesses called registrars, such as GoDaddy™ or 123 Reg™, who often offer web-hosting services.

If you need to find the owner of a domain or see whether a domain is registered, you can check via **https://lookup.icann.org**. This is an example where the subdomain isn't 'www'. UK TLDs are viewable via **www.nominet.uk/whois/.**

Instructions

To check your understanding of these components, use Google to visit the sites of three retailers whom you have purchased from online. Note the components and check their WHOIS information.

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

HTML (Hypertext Markup Language)
A standard format used to define the text and layout of web pages rendered by web browsers.

Cascading style sheets (CSS)
A mechanism for adding style (e.g. fonts, backgrounds, colours, spacing) to web documents, which is independent of the content. CSS enable different style elements to be controlled across an entire site or sections of a site. Style elements that are commonly controlled include typography, background colour and images, and borders and margins. Responsive website design (RWD) for desktop and mobile can also be supported.

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

XML (eXtensible Markup Language)
A standard for transferring structured data that, unlike HTML, is purely presentational.

Web standards

The information, graphics and interactive elements that make up the web pages of a site are collectively referred to as **content**. Different standards exist for text, graphics and multimedia. These are defined by the World Wide Web Consortium (W3C, **www.w3.org**), which is an international community that enables the web to expand and develop by building an Open Web Platform to support and foster innovations and future sustainability for the web. The W3C web page content is formatted and rendered by the browser software using **HTML** (or XHTML) (**Hypertext Markup Language**) and **cascading style sheets (CSS)**. Visit CSS Zen Garden (**www.csszengarden.com**) or view Figure 7.12 to see examples of how CSS effectively decouples style from content.

For some tactical purposes, marketers may need to be aware of changes in structured **metadata** and **XML (eXtensible Markup Language)** formats, which enable them to request that their products and experiences are more visible in search engines. We will see in Chapter 9 that the basic metadata that each page of a website can use are important for search engine optimisation (SEO). Google, Microsoft, Yahoo and Yandex founded **Schema.org** to define metadata vocabularies developed by an open community process that can be used to display product reviews, events, tourism destinations and many other types of data in a range of microdata formats including RDFa and JSON-LD.

They may also need to be aware of developments in APIs, which enable data to be exchanged between different platforms.

Future technological developments marketers will need to review include reducing the environmental footprint of web services, and developments in virtual reality (VR) and augmented reality (AR). For example, IKEA uses VR in its app to demonstrate furniture and kitchen equipment, and Burger King's 'Burn that Ad' (Mini case study 1.1) used AR experiences to tempt customers away from competing brands. AR and VR are changing how consumers engage with brands and creating opportunities for advertisers to develop immersive campaigns.

Selecting a martech stack for a business

In Chapter 1 we introduced the marketing technology or 'martech' that is used to manage many digital marketing activities and store data about customer interactions. Reviewing the latest trends in martech is part of macro-environment analysis, since new types of martech like augmented reality or artificial intelligence may offer new digital experiences, data management or communications techniques that change the basis for competition.

The concept of a martech stack has grown out of the categorisation of marketing technology based on Scott Brinker's landscape, discussed in Activity 1.4. Businesses have always considered their portfolio of different types of business IT applications for operations such as finance, logistics and marketing, but traditionally they have been controlled by IT teams who have managed a limited number of 'enterprise resource planning' systems such as SAP. With the growth in cloud-based SaaS, it has become far easier for individual departments, and in particular marketing, who need to manage many digital marketing channels such as search and social media marketing, to deploy their own solutions.

Complete Activity 3.2 to explore the types of insight tools and operational marketing technology available to marketers today.

As businesses have deployed more martech services, the need to manage and integrate them has been highlighted. Many companies simply select individual marketing technologies to meet the immediate operational needs of managing their marketing. This can quickly

Activity 3.2 Reviewing the range of martech and digital insight tools

Purpose

To review how different types of insight can be harnessed to improve digital marketing.

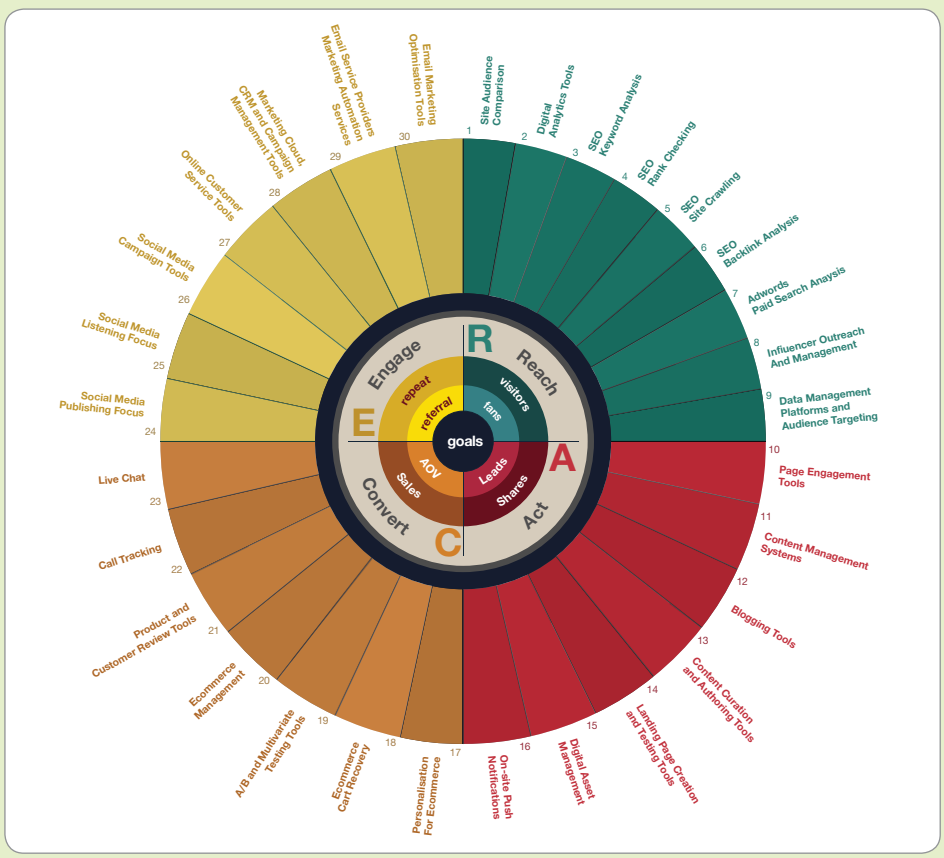
Activity

1. Review the Digital Marketing Tools wheel shown in Figure 3.2 and the infographic categorising 5,000 tools created by Brinker (2017) to gain an idea of the range of insight tools available.
2. Split up your groups so that you select a range of different types of business, e.g. small business, retailer, financial services, travel company, B2B service and consumer brand.
3. For your selected business, use a tool such as **BuiltWith.com**, SimilarTech or the Chrome extension Wappalyzer to see the martech installed.
4. Visit the full infographic containing examples of the tools at **http://bit.ly/smartdigitaltools** and discuss and categorise the tools by importance for a small business, choosing one of these options:

   A Essential.
   B Useful for optimisation.
   C Less valuable for smaller businesses.

   For example, categories 2 (Digital Analytics), 11 (Content Management Systems) and 29 (Email Service Providers) could all be seen as essential for all businesses.

Figure 3.2 Thirty categories of martech and insight tools structured across the customer lifecycle



Source: Chaffey (2017)

lead to a proliferation of tech within a company that gives these potential 'martech sins', almost all giving rise to a lack of integration. Potential common problems include:

- **No long-term plan for martech.** A haphazard approach of implementing different tools for different functions, sometimes referred to as 'Random Acts of Technology', or RAT.
- **Insufficient rigour when evaluating martech.** To select the most suitable technology requires the time for a structured review by someone who is experienced in IT or software selection and business case development. If the time or skills aren't available for this, then the strength of the vendors' claims may sway the decision without sufficient trial of solutions on operational processes.
- **Technology solutions from different vendors aren't integrated.** With multiple tools, data silos can develop where you can't extract or combine data from different applications without manual export processes.
- **Data are inconsistent.** A single customer view or '360-degree view of the customer' is an aspiration for most businesses, but the reality is often that data in different analysis systems will report different values, so there is no 'single version of the truth'.
- **Customer journeys can't be tracked across channels.** Customer journeys are now more complex than ever before, with a proliferation of digital marketing channels adding to traditional offline channels that remain important for most businesses. Then there are cross-device journeys as customers consume content on mobile and desktop devices.
- **New martech isn't rolled out with sufficient updates to training and process.** While the appeal of cloud-based SaaS is that they can often be installed by simply tagging the site with relevant JavaScript, the reality is that far more is involved. Consider Google Analytics: in our experience, many have it running on their site, yet have not customised it, run training or put in place the changes to review and reporting processes needed to get the most from it.
- **Return on marketing technology isn't reviewed.** We have mentioned that the business case for adoption isn't sufficiently defined. The other side of this is that the loop isn't closed, so that, post adoption, the effectiveness of martech in improving marketing operations and results isn't considered. Often there are errors in deployment that can lead to inaccuracies in data quality, which can hinder the performance of marketing.

We will review specific applications of martech in the context of increasing the effectiveness of digital marketing activities in future chapters:

- Chapter 6 – data-driven marketing using artificial intelligence and Big Data for relationship marketing, including personalisation of messaging.
- Chapter 7 – improving digital experiences using website personalisation, mobile apps, AR, VR and IoT.
- Chapter 8 – tracking of marketing campaigns.
- Chapter 9 – analysis and targeting for search marketing and digital advertising.
- Chapter 10 – digital analytics.

We will now briefly review another specific aspect of marketing technology that needs to be considered by online digital marketers: cybersecurity and blockchain. This is important to reduce online fraud and protect consumer security.

Cybersecurity, blockchain and digital currencies

Digital marketers need to understand security issues and the risks they might encounter in order to manage their online activities effectively. There are many examples of security breaches where risks haven't been mitigated. PwC (2020) conducted a survey of 5,000 larger businesses, which showed that 47 per cent had experienced fraud in the past two years, with over $42 billion in fraud losses reported in the last 12 months. Security breaches can bring

reputational damage to brands since large data breaches will be featured on mainstream media and may attract substantial fines by regulators, as evidenced by the Information Commissioner's Office Enforcement Actions page (**www.ico.org.uk**).

From a consumer or merchant point of view, these are the main security risks involved in an e-commerce transaction:

- confidential details or passwords accessed on user's computer, for example through key-logging software or malware;
- transaction or credit card details stolen in transit, for example through 'packet sniffing' software;
- customer's credit card details stolen from merchant's server, for example through hacking;
- customer's details accessed by company staff (or through a hacker who is in the building and has used 'social engineering' techniques to find information);
- merchants or customers are not who they claim to be, using 'social engineering' to gain access to systems, and the innocent party can be drawn into a fraudulent trading situation.

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

For a summary of the main security risks for a website owner that must be managed within the design, see the summary in Digital marketing insight 3.1.

Digital marketing insight 3.1 The main website security risks

1 Validation of input and output data

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

2 Sensitive data exposure

If data exist, they can potentially be viewed or extracted so it is important to ensure that sensitive data are stored using encryption to protect them from casual and unauthorised access.

3 Authentication and session management

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

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

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

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

Blockchain technology
A distributed ledger comprising batches of encrypted transaction records called blocks, which can be secured over a peer-to-peer network such as the internet. The system is secure and transaction history can't be modified to provide an audit trail.

Digital currency or cryptocurrency
A digital or virtual currency that is secured by cryptography, which makes it extremely difficult to counterfeit or double-spend. Many cryptocurrencies are decentralised networks based on blockchain technology.

4 Phishing

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

5 Denial of service

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

6 System information leakage

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

7 Error handling

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

Blockchain and cryptocurrencies

Blockchain technology is an example of how it can be difficult to assess the relevance of a major technology innovation. In their guide to blockchain, *Wired*, Finley and Barber (2019) state: 'Depending who you ask, blockchains are either the most important technological innovation since the internet or a solution looking for a problem'. Certainly, from a marketing communications perspective it isn't as relevant to most companies compared to artificial intelligence and the predictive analytics techniques discussed in Chapter 6, although it may be used to support programmatic media buying. However, there are opportunities for marketing innovation using blockchain across many industries, as Mini case study 3.1 shows.

Blockchain technology is a form of cryptography that uses a secure database of groups of transactions that is accessed by different participants to help facilitate different transactions and provide an audit trail.

The original and best-known application of blockchain is Bitcoin, launched in 2008, which is built on a public ledger or database of transactions for which everyone has access to a copy. Bitcoin is a decentralised **digital currency or cryptocurrency** without a central provider such as a bank or other intermediaries. Each change to the ledger is cryptographically signed to prove that the person transferring virtual coins is the actual owner of those coins. This involves a process called bitcoin mining to create a new bitcoin and maintain the transaction ledger by solving a computational puzzle. Bitcoin miners earn a fee for each coin mined, but the cost of high-end technology and electricity needed to mine a single bitcoin (which can amount to thousands of dollars) means that this is a niche activity.

Other industrial applications such as those discussed in the mini case study may involve a private blockchain. Like secure http or https, transactions use public and private keys, which ensure security.

Mini case study 3.1 How blockchain supports product innovation from 'social plastic' to ticketless concerts

Technology providers such as IBM are developing diverse applications for blockchain, many of which focus more on supply chain and logistics management than marketing, but are useful innovations.

Examples of these applications include:

- Henkel's beauty consumer brands based in Germany (**www.henkel.com**) have partnered with social enterprise Plastic Bank as part of Henkel's targets to reduce packaging and promote a circular economy. Blockchain is used to manage payments to people in Haiti who collect plastic, since there are limited recycling schemes (see Figure 3.3).
- Nordea (**www.nordea.com**), a financial services provider based in northern Europe, has worked with partners in larger European banks to engage in international trading in order to develop a trade financing platform, we.trade, which will support its small and mid-size companies that are looking to reduce their risk and administrative cost of doing business with new partners. Patrik Zekkar, Global Head, Trade Finance & Working Capital Management, Nordea Bank Abp, explained the benefits like this: 'The partnership with IBM to develop the blockchain solution and the collaboration with the banks, enables us to do things we were not able to do alone. Suddenly, we can reach currently 30 per cent of the European SME markets.'
- True Tickets (**www.true-tickets.com**), a US-based B2B service, is using blockchain for event and concert ticketing. Blockchain helps preserve ticket provenance by identifying all buyers and sellers, ensuring that both the tickets and the people buying them are legitimate. Second, the ticketing platform serves as an immutable ledger, allowing artists, venues, promoters and fans to track a ticket through each stage of its lifecycle, from creation to its use at an event. Following the COVID-19 pandemic, it can also provide a ticketless solution.
- Mediaocean (**www.mediaocean.com**), a marketing technology company that supports publishers and advertisers with programmatic advertising services, has worked with IBM to tackle media supply-chain transparency. This enables agencies and their clients to view all transactions and fees in the media-buying supply chain and data collection to reduce auditing steps, time and cost.
- In the section on 'Political forces' at the end of this chapter, we also explain how a new Central Bank Digital Currency (CBDC) based on blockchain technology is being explored in many countries.

Figure 3.3 Process used by Plastic Bank in Haiti to support their recycling service to Henkel

Source: MOHAMED ABDULRAHEEM/Shutterstock

Sources: A summary of case studies featured in IBM (2020). For further information see **www.henkel.com**; **www.nordea.com**; **www.true-tickets.com** and **www.mediaocean.com**

Emerging technologies

The internet created the foundations, which expanded with mobile and Wi-Fi modes of access to online content and services. Smart technologies for television and digital radio further extended the diversity of access. Internet TV, or IPTV, which took advantage of additional bandwidth, improved download speeds giving access to an increasing range of digitally enabled devices. The next generation of emerging technologies will make use of the emerging fifth generation (5G) of cellular mobile and data networks. This technology enables a greater range of digital devices to be connected together – driverless cars, smart homes, healthcare services. Artificial intelligence (AI), VR and AR will enable more immersive and personalised experiences to be delivered automatically to billions of individual users. Technology will continue to create challenges for the digital marketer and they will need to reimagine how they access target audiences, the type of content they provide and the digital services offered.

Assessing the marketing value of technology innovation

One of the challenges for digital marketers is how to successfully assess which new technological innovations can be applied to give competitive advantage. For example, personalisation technology (discussed in detail in Chapters 6 and 7) is intended to enhance the customer's online experience and increase their loyalty. However, personalisation may require a large investment in proprietary software and hardware technology for effective implementation. How does the manager decide whether to proceed and which technological solutions to adopt?

A manager may have read articles in the trade and general press or spoken to colleagues, which has highlighted the potential of a new technology-enabled marketing technique. They then face a difficult decision as to whether to:

- ignore the use of the technique completely, perhaps because it is felt to be too expensive or untried, or because they simply don't believe the benefits will outweigh the costs;
- ignore the technique for now, but keep an eye on the results of other companies that are starting to use it;
- evaluate the technique in a structured manner and then make a decision as to whether to adopt it according to the evaluation;
- enthusiastically adopt the technique without a detailed evaluation, since the hype alone convinces the manager that it should be adopted.

Depending on the attitude of the manager, this behaviour can be summarised as:

1. Cautious, a 'wait-and-see' approach.
2. Intermediate, sometimes referred to as 'fast-follower' approach. Let others take the majority of the risk, but if they are proving successful then rapidly adopt the technique, i.e. copy them.
3. Risk-taking, an early-adopter approach.

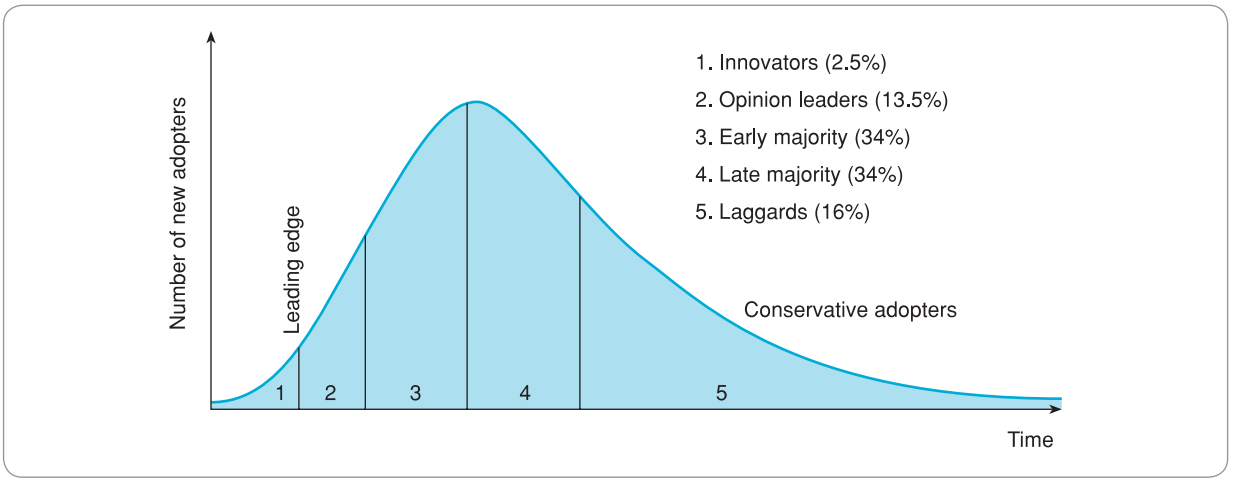
The principles of different behaviours by different adopters through time is often referred to as the diffusion–adoption process (represented by the bell curve in Figure 3.4). It was identified by Rogers (1983), who classified those trialling new products as being innovators, **early adopters**, early majority, late majority, through to the laggards.

Early adopters
Companies or departments that invest in new technologies and techniques.

The diffusion–adoption curve remains useful as it can help managers:

1. To understand there are varied responses from customers to adoption of a technology, or any product. For example, the internet is now a well-established tool and in many developed countries we are into the late majority phase of adoption, with large numbers of users of services. This suggests it is essential to use this medium for marketing purposes. However, the rapid rate of development of emerging technologies also challenges the predictive ability of the smooth outline of the diffusion–adoption curve.

Figure 3.4 Diffusion–adoption curve



2 To look at adoption of a new technique by other businesses – from an organisational perspective. For example, an online supermarket could look at how many other e-tailers have adopted personalisation in order to evaluate whether it is worthwhile adopting the technique.

A commercial application of the diffusion–adoption curve was developed by technology analyst Gartner (2011) and has been applied to different technologies since 1995. A compilation of recent hype cycles for marketing technology has been created by Smart Insights (Chaffey, 2020). Gartner described a **hype cycle** as a graphic representation of the maturity, adoption and business application of specific technologies.

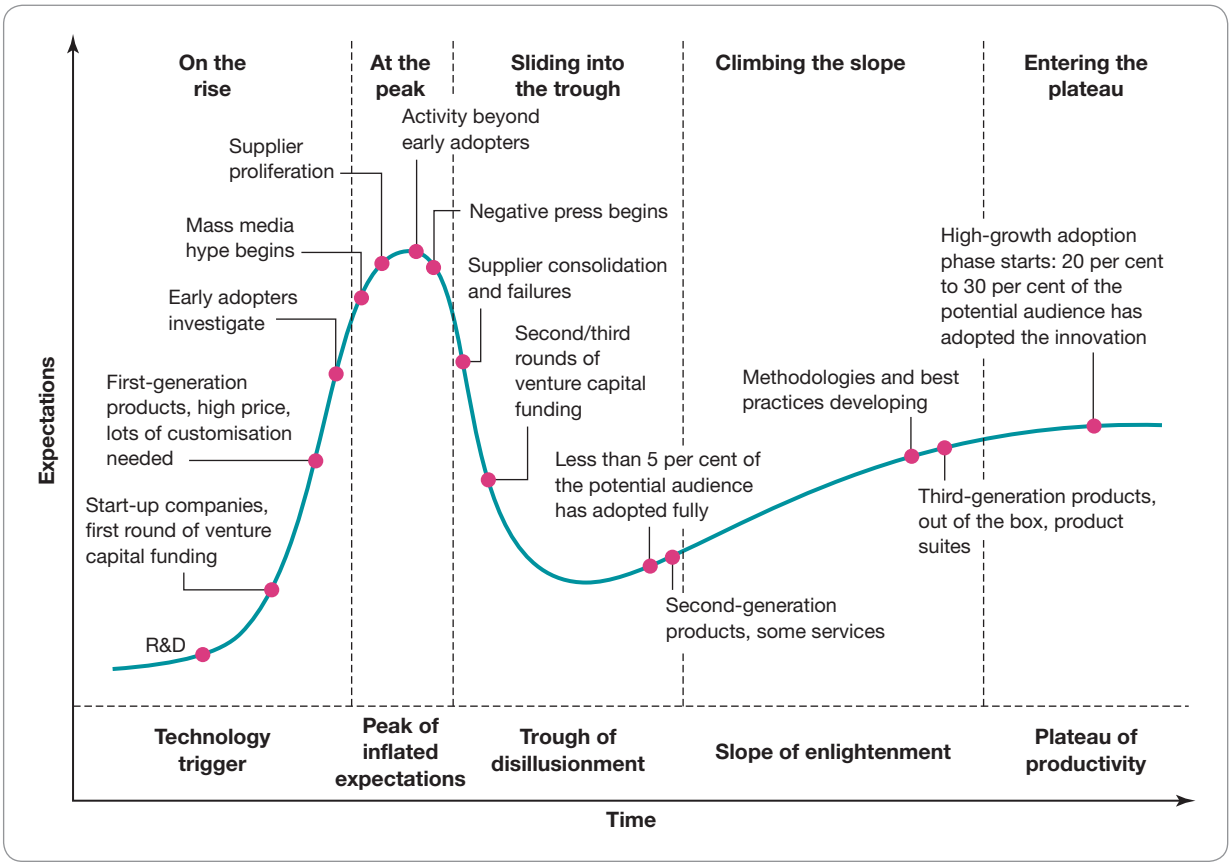
Hype cycle
A graphic representation of the maturity, adoption and business application of specific technologies.

Gartner (2011) recognised the following stages within the hype cycle (Figure 3.5):

1 **Technology trigger.** The first phase of a hype cycle is the 'technology trigger' or breakthrough, product launch or other event that generates significant press and interest.
2 **Peak of inflated expectations.** In the next phase, a frenzy of publicity typically generates overenthusiasm and unrealistic expectations. There may be some successful applications of a technology, but there are typically more failures.
3 **Trough of disillusionment.** Technologies enter the 'trough of disillusionment' because they fail to meet expectations and quickly become unfashionable. Consequently, the press usually abandons the topic and the technology.
4 **Slope of enlightenment.** Although the press may have stopped covering the technology, some businesses continue through the 'slope of enlightenment' and experiment to understand the benefits and practical application of the technology.
5 **Plateau of productivity.** A technology reaches the 'plateau of productivity' as the benefits of it become widely demonstrated and accepted. The technology becomes increasingly stable and evolves in second and third generations. The final height of the plateau varies according to whether the technology is broadly applicable or benefits only a niche market.

But as adoption of digital technologies has increased, the diffusion–adoption curve sometimes doesn't follow the usual pattern of adoption. Digital services, such as Twitter, Instagram and Zoom, which are offered freely to the market, are rapidly adopted globally (Downes and Nunes, 2013) creating a 'big-bang effect' as new users rush to access the new service or product. During the COVID-19 global pandemic, the Zoom video conferencing platform was adopted by so many people and businesses that the company's annual 100 billion meeting minutes rose to 2 trillion minutes in a three-month period (January to April 2020) (Wainewright, 2020). But the problem that can occur with being an early adopter (as

Figure 3.5 Different stages of a Gartner hype cycle

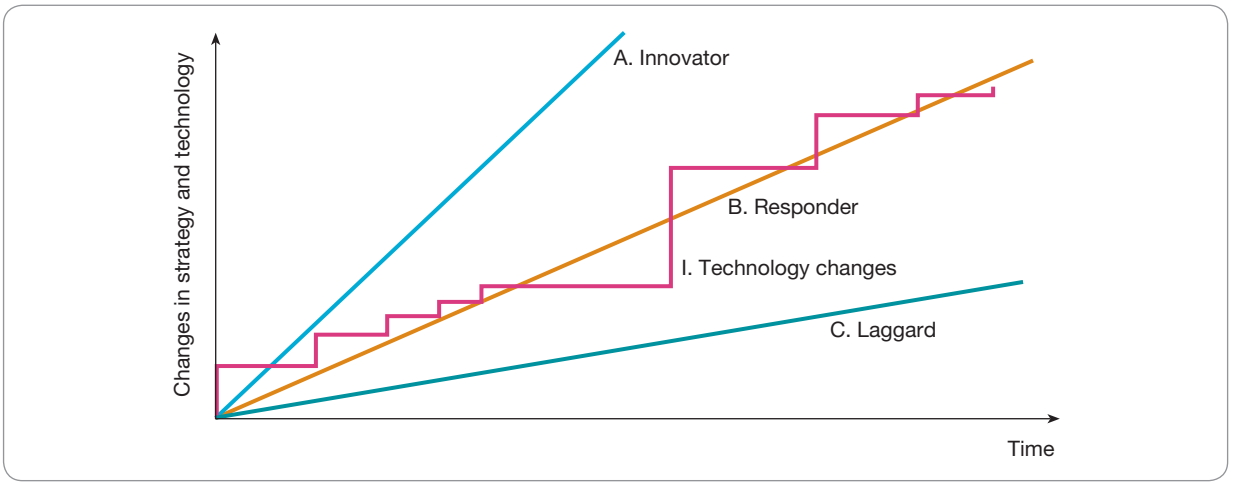


Source: Gartner Group

an organisation) is that being at the leading edge of using new technologies is often also referred to as the 'bleeding edge' due to the risk of failure. New technologies will have bugs or may integrate poorly with existing systems, or the marketing benefits may simply not live up to their promise. Of course, the reason for risk taking is that the rewards are high – if you are using a technique that your competitors are not, then you will gain an edge on your rivals. For example, RS Components (**uk.rs-online.com/web/**) was one of the first UK suppliers of industrial components to adopt personalisation as part of its e-commerce system. It learned the strengths and weaknesses of the service and now knows how to position it to appeal to customers. It offers facilities such as customised pages, access to previous order history and the facility to place repeat orders or modified re-buys. To offer further value it has also developed a 'DesignSpark' design engineering platform to help its customers, which includes free software, a design library and a community for engineers. This has enabled it to build up a base of customers who are familiar with using the RS Components online services and are then less likely to swap to rival services in the future.

So, what action should marketing and e-commerce managers take when confronted by new techniques and technologies? There is no straightforward rule of thumb, other than that a balanced approach must be taken. It would be easy to dismiss many new techniques as fads, or classify them as 'not relevant to my market'. However, competitors are likely to be reviewing new techniques and incorporating some, so a careful review of new techniques is required. This indicates that benchmarking of 'best of breed' sites within a sector and in different sectors is essential as part of environmental scanning. However, by waiting for others to innovate and review the results on their website, a company has probably already lost 6 to 12 months. Figure 3.6 summarises the choices. The stepped curve shows the

Figure 3.6 Alternative responses to changes in technology



variations in technology through time. Some changes may be small incremental ones such as a new operating system; others, such as the introduction of personalisation technology, are more significant in delivering value to customers and so improving business performance. Line A is a company that is using innovative business techniques, adopts technology early, or is even in advance of what the technology can currently deliver. Line C shows the conservative adopter whose use of technology lags behind the available potential. Line B, the middle ground, is probably the ideal situation, where a company monitors new ideas as early adopters, trials them and then adopts those that will positively impact the business.

Technological forces are significant and can influence digital marketing success significantly. In this section we have considered major factors that make up the technological forces likely to affect the digital marketer. In the next section, we examine legal forces.

Legal forces

Laws develop in order to provide a framework of control and regulations that aim to enable individuals and businesses to go about their business in a legal and ethical manner. However, laws are open to interpretation and there are many legal and ethical considerations in the online trading environments. Many laws aim to prevent unethical marketing practice, so marketers have to understand and work within this regulatory framework. This section considers six of the most important legal issues for digital marketers (see Table 3.1).

Legal activities can be considered unethical

Ethical standards
Practices and behaviours that are morally acceptable to society.

Digital marketers should be compliant with the law and adhere to **ethical standards** but the rate of technological innovation is rapid and consequently the law is often unclear. In this case, marketers need to tread carefully since unethical action can result in serious damage to the reputation of a company and negative sentiment can result in a reduction in online audience or sales.

Privacy
A moral right of individuals to avoid intrusion into their personal affairs.

Identity theft
The misappropriation of the identity of another person, without their knowledge or consent.

1 Data protection and privacy law

Privacy refers to a moral right of individuals to avoid intrusion into their personal affairs by third parties. Protection of privacy of personal data, such as our identities, likes and dislikes, is a major concern to consumers, particularly with the dramatic increase in **identity theft**.

Table 3.1 Significant laws that control digital marketing

Legal issue	Digital marketing activities affected
1 Data protection and privacy law	Collection, storage, usage and deletion of personal information directly through data capture on forms and indirectly through tracking behaviour through web analytics Email marketing and SMS mobile marketing Personalisation based on data collected to deliver more relevant product offers on a website or via an ad or email Use of **viral marketing** to encourage transmission of marketing messages between consumers Use of cookies and other techniques for optimisation of content and tracking on site Use of cookies for tracking between sites, for example for advertising networks Use of digital assets installed on a user's PC for marketing purposes, e.g. toolbars or other downloadable utilities sometimes referred to as 'malware'
2 Disability and discrimination law	Accessibility of content, such as images for the visually impaired, within different digital environments: • website • email • mobile • social media • IPTV Accessibility affecting other forms of disability including hearing difficulties and motor impairment
3 Brand and trademark protection	Use of trademarks and brand names within: • domain names • content on site (for search engine optimisation) • natural search results • paid search advertising campaigns (e.g. Google Ads) • representation of a brand on third-party sites including partners, publishers and social networks • defamation of employees
4 Intellectual property rights	Protection of digital assets such as text content, images, audio and sounds through digital rights management (DRM)
5 Contract and distance-selling law	Validity of electronic contracts relevant to: • cancellations • returns • errors in pricing • distance-selling law • international taxation issues where the e-commerce service provider is under a different tax regime to the purchaser
6 Online advertising law	Similar issues to traditional media: • claims about the offer • use of endorsements, e.g. celebrity endorsements in social media and by vloggers • causing offence (e.g. viral marketing)

Viral marketing
Online viral marketing, or buzz marketing, is a form of electronic word-of-mouth marketing. Brands and promotions are discussed and awareness of them transmitted in two main forms, either as pass-along email or discussion in a social network.

Digital marketers can better understand their customers' needs by using this type of very valuable information. Through collecting personal information it becomes possible to develop highly targeted communications and develop products that are more consistent with users' needs. Therefore, how should marketers respond to this dilemma? An obvious step is to ensure that marketing activities are consistent with the latest data protection and privacy laws. Although compliance with the laws may sound straightforward, in practice different

interpretations of the law are possible and since these are new laws they have not been tested in court. As a result, companies have to make their own business decisions based on the business benefits of applying particular marketing practices against the financial and reputational risks of less strict compliance. There is also the challenge of compliance with different laws prevalent in different countries. For example, in the United Kingdom, the Department of Culture Media and Sport (DCMS) has proposed new measures to stop online harm via social media platforms. It has proposed a mandatory 'duty of care' (DCMS, 2019), which means that companies and advertisers are responsible for keeping users safe and preventing illegal activity. The United Kingdom is the first country to put enforceable measures in place to make the online world safer for user communities.

Effective e-commerce requires establishing a balance between the benefits the individual customer will gain from their online experience through providing personal information, and the amount and type of information that they are prepared for companies to hold about them.

The main information types used by the digital marketer that are governed by ethics and legislation are:

1. **Contact information.** This is the name, postal address, email address and, for B2B companies, website address.
2. **Profile information.** This is information about a customer's characteristics that can be used for segmentation. It includes age, sex and social group for consumers, and company characteristics and individual role for business customers (see Chapter 6).
3. **Platform usage information.** Through web analytics systems it is possible to collect information on type of computer, browser and screen resolution used by site users (see Chapter 7).
4. **Behavioural information (on a single site).** This is purchase history and the whole of the buying process. Web analytics (Chapter 10) can be used to assess the web and email content accessed by individuals.
5. **Behavioural information (across multiple sites).** This can potentially show how a user accesses multiple sites and responds to adverts across sites. Typically these data are collected and used through an anonymous profile based on cookie or IP addresses, which are not related to an individual.

Table 3.2 summarises how these different types of customer information are collected and used through technology. The main issue to be considered by the marketer is disclosure of the types of information collection and tracking data used. The first two types of information in the table are usually readily explained through a privacy statement at the point of data collection and, as we will see, this is usually a legal requirement. However, with the other types of information, users would only know they were being tracked if they have privacy monitoring software such as Ghostery installed, or if they seek out the privacy statement of a publisher that offers advertising.

All of these issues arise in the next section, which reviews actions that marketers should take to achieve privacy and trust.

Data protection law

Personal data
Any information about an individual stored by companies concerning their customers or employees.

Data protection legislation is enacted to protect the individual, to protect their privacy and to prevent misuse of their **personal data**.

In the United Kingdom, the enactment of the European legislation is the Data Protection Act 1984, 1998 and 2018 (DPA), which is managed by the legal requirements of the 2018 UK Data Protection Act. The Information Commissioner's Office is the UK's independent authority, which 'upholds information rights in the public interest, promoting openness by public bodies and data privacy for individuals' (ICO, 2018a). The ICO provides detailed information at: **https://ico.org.uk/**. This law is typical of laws that have evolved in many countries to help protect personal information. Since 31 December 2020, the UK has left the

Table 3.2 Types of information collected online and the related technologies

Type of information	Approach and technology used to capture and use information
1 Contact information	• Online forms – online forms linked to a customer database • Cookies and new alternatives – used to remember a specific person on subsequent visits (see Digital marketing insight 3.2)
2 Profile information including personal information	• Online registration forms collect data on social networks and company sites • Cookies can be used to assign a person to a particular segment by linking the cookie to a customer database record and then offering content consistent with their segment
3 Access platform usage	• Web analytics system – identification of computer type, operating system and screen characteristics based on http attributes of visitors
4 Behavioural information on a single site	• Purchase histories are stored in the sales order database • Web analytics store details of IP addresses against clickstreams of the sequence of web pages visited • Web beacons in email marketing – a single pixel GIF is used to assess whether a reader opened an email • First-party cookies are also used for monitoring visitor behaviour during a site visit and on subsequent visits • **Malware** can collect additional information such as passwords
5 Behavioural information across multiple sites	• Third-party cookies or new alternatives used for assessing visits from different sources such as online advertising networks or affiliate networks (Chapter 9) • Search engines such as Google use cookies to track advertising; Google does it through its Google Ads pay-per-click programme • Services such as Connexity (**www.connexity.com**) monitor IP traffic to assess site usage of customer groups within a product category

Malware
Malicious software or toolbars, typically downloaded via the internet, which act as a 'Trojan Horse' by executing unwanted activities such as keylogging of user passwords or viruses that may collect email addresses.

Notification
The process whereby companies register with the Information Commissioner to inform about their data holdings.

EU and this has implications for data protection and privacy in the future. Currently, however, businesses in the United Kingdom must still comply with existing EU laws. Any company that holds personal data on computers or on file about customers or employees must be registered with a data protection registrar (although there are some exceptions that may exclude small businesses). This process is known as **notification**.

The guidelines on data protection law are set out in the Data Protection Act (2018) and the related General Data Protection Regulation (ICO, 2018a). Both reference *controllers* of data and *processors* of data. The *controller* determines the purpose and means of processing personal data and the *processor* is responsible for carrying out the processing on behalf of the *controller*. The GDPR applies to the gathering and using of personal and sensitive data and requires that personal data shall be:

a processed lawfully, fairly and in a transparent manner in relation to individuals;
b collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall not be considered to be incompatible with the initial purposes;
c adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
d accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay;
e kept in a form that permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored

for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes subject to implementation of the appropriate technical and organisational measures required by the GDPR in order to safeguard the rights and freedoms of individuals; and

f processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures (ICO, 2018b).

Anti-spam legislation

Spam
Unsolicited email (usually bulk mailed and untargeted).

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

Opt-in
A customer proactively agrees to receive further information.

Opt-out
A customer declines the offer to receive further information.

Cold list
Data about individuals that are rented or sold by a third party.

House list
Data about existing customers used to market products to encourage future purchase.

Laws have been enacted in different countries to protect individual privacy and with the intention of reducing spam or unsolicited commercial email (UCE). Originally, the best-known **spam** was tinned meat (a contraction of 'spiced ham'), but a modern version of this acronym is 'sending persistent annoying email'. Spammers rely on sending out millions of emails in the hope that even if there is only a 0.01 per cent response they may make some money, if not get rich.

Anti-spam laws do not mean that email cannot be used as a marketing tool but the recipient has to agree to receive the mailing. This approach is called **permission marketing**. Permissive email marketing is based on consent or **opt-in** by customers, and the option to unsubscribe or **opt-out** is the key to successful email marketing. Email lists can also be rented where customers have opted in to receive email. This is known as a **cold list**, so called because the company that purchases the data from a third party does not know you. Your name will also potentially be stored on an opt-in **house list** within companies you have purchased from where you have given your consent to be contacted by the company or given additional consent to be contacted by its partners (known as permission marketing).

In the EU and United Kingdom, the GDPR and the Privacy and Electronic Communications Regulations (PECR, first enacted in 2003 and currently under review) have been in place for a long time to require that businesses offer clear options to opt-in and opt-out of communications. Australia enacted a Spam Act in 2003. More recently, similar laws have been enacted in different US states – for example, the California Consumer Privacy Act (CCPA) was enacted in 2018 as a state statute intended to enhance privacy rights and consumer rights.

Digital marketing insight 3.2 — Understanding cookies and the cookieless future

Cookies
Cookies are small text files stored on an end-user's computer to enable websites to identify the user.

A **cookie** is a data file placed on your computer that identifies that individual computer. 'Cookie' derives from the Unix operating system term 'magic cookie', which means something passed between routines or programs that enables the receiver to perform some operation.

Cookies have been used since the 1990s when they were incorporated in the Netscape browser and have been adopted by other browsers since. They have proved useful to marketers to deliver more targeted relevant communications to individuals. Yet they have caused a lot of distrust among users who fear tracking, and legislation has resulted to encourage more transparency over their use. Third-party cookies, which are particularly important for digital advertising across different publishers, social networks, search engines and brand websites, have proved to be a particular concern and laws such as GDPR, PECR and the CCPA have been enacted to govern their use. This has resulted in the ubiquitous 'cookie privacy' messages on websites encouraging users to opt in to different forms of cookies, but with the option to opt out of them. After over 25

years of use, new 'cookieless' technology alternatives, which we discuss at the end of this Digital marketing insight, are now being urgently sought, as creators of browsers such as Apple and Google feel compelled to act to protect their reputation and revenue models. This is positive, not least because our online browsing shouldn't be interrupted by cookie privacy notices.

Types of cookies

The main cookie types are:

- **Persistent cookies**. These stay on a user's computer between multiple sessions and are most valuable for marketers to identify repeat visits to sites.
- **Temporary or session cookies** (single session). Useful for tracking within pages of a session such as on an e-commerce site.
- **First-party cookies**. Served by the site visitors are accessing. These can be persistent or session cookies.
- **Third-party cookies**. Served by another site to the one being viewed, typically for publishers where an ad network will track remotely or where the web analytics software places a cookie. These are typically persistent cookies.

Persistent cookies
Cookies that remain on the computer after a visitor session has ended. Used to recognise returning visitors.

Temporary or session cookies
Cookies used to manage a single visitor session.

First-party cookies
Served by the site currently in use – typically for e-commerce sites.

Third-party cookies
Served by another site to the one being viewed – typically for portals where an ad network will track remotely or where the web analytics software places a cookie.

Cookies are stored as individual text files in a directory on a personal computer. There is usually one file per website. For example: **dave_chaffey@british-airways.txt**. This file contains encoded information as follows:

FLT_VIS |K:bapzRnGdxBYUU|D:Jul-25-1999| british-airways.com/ 0 425259904 29357426 1170747936 29284034 *

Although many web users may think personally identifiable information is stored, the information in the cookie file is essentially just an identification code that may link to a customer database and the date of the last visit, although other information could also be stored.

Cookies are specific to a particular browser and computer, so if a user connects from a different computer, such as at work, or starts using a different browser, the website will not identify him or her as a similar user. This limits marketing attribution, a technique used to assess customer journeys and which media channels influence purchase, which we discuss in Chapters 8 and 10.

What are cookies used for?

Common marketing applications of cookies include:

- **Personalising a site for an individual.** Cookies are used by content management systems and personalisation services to identify individual users and retrieve their preferences from a database according to an identifier stored in the cookie.
- **Online ordering systems.** This enables a site such as **www.tesco.com** to track what is in your basket as you order different products.
- **Tracking within a site.** Web analytics software such as Google Analytics or Adobe Analytics relies on persistent cookies to find the proportion of repeat visitors to a website.
- **Tracking across sites.** Advertising networks use third-party cookies to track when a particular computer user has been shown a particular banner advertisement; they can also track adverts served on sites across an ad network.

Owing to the large investments made now in pay-per-click marketing and affiliate marketing by many companies, cookie privacy laws, multiple device use and cookie deletion are an area of concern for marketers since the tracking can become inaccurate.

Privacy issues with cookie use

The problem for digital marketers is that, despite these important applications, blocking by browsers or security software and deletion by users has increased dramatically.

It seems that many distrust cookies since they indicate a 'big brother' is monitoring their actions. Others fear that their personal details or credit card details may be accessed by other websites. The UK ICO updated its guidance on use of cookies in 2019, which goes further than the accepted 'cookie consent rule'. Companies making use of cookies must explain clearly to end users what cookies do and how they are being used; how the end user can control the use of cookies; and provide privacy notices that make it clear what links share data with third-party websites (White and Evans, 2019).

Legal constraints on cookies

The PECR give companies guidance on their use of cookies and currently state:

> You must tell people if you set cookies, and clearly explain what the cookies do and why. You must also get the user's consent. Consent must be actively and clearly given.
>
> There is an exception for cookies that are essential to provide an online service at someone's request (e.g. to remember what's in their online basket, or to ensure security in online banking).
>
> The same rules also apply if you use any other type of technology to store or gain access to information on someone's device.
>
> (ICO, 2020)

Some of the requirements from the original law (2003) remain in place: (a) the user is provided with clear and comprehensive information about the purposes of the storage of, or access to, that information; and (b) is given the opportunity to refuse the storage of or access to that information. Requirement (a) suggests that it is important that there is a clear **privacy statement** and (b) suggests that explicit opt-in to cookies is required – this is what we now see on many sites following the implementation of the law.

Privacy statement
Information on a website explaining how and why individuals' data are collected, processed and stored.

Towards a cookieless future

Apple, provider of the Safari browser, removed default tracking of third-party cookies in March 2020. Google, provider of the Chrome browser, has also announced that it will cease support for third-party cookies in 2022.

Since these cookies are important to delivering personalised digital advertising and proving its value through tracking, there has been much effort to find an alternative. At the time of writing, it is likely that a major provider such as Google or Facebook will provide a solution since it is essential to their revenue model. Google (2021) announced '*Federated Learning of Cohorts (FLoC)*' as a privacy-focused solution intent on delivering relevant ads 'by clustering large groups of people with similar interests'. Accounts are anonymised, grouped into interests and user information is processed on-device rather than broadcast across the web. This is part of the Privacy Sandbox feature, which is part of Chrome. Google are seeking wider adoption through the W3C's Improving Web Advertising Business Group, which will review other solutions.

Summary of actions to comply with data protection and privacy law

We conclude this section on privacy legislation with a checklist summary of the practical steps that are required to audit a company's compliance with data protection and privacy legislation. Companies should:

1. Follow privacy and consumer protection guidelines and laws in all local markets, and use local privacy and security certification where available.

2. Notify or inform the site visitor before asking for information on:
   - who the company is;
   - what personal data are collected, processed and stored;
   - the purpose of collection;
   - how the site visitor can opt out (be unsubscribed from email lists or cookies);
   - how the site visitor can obtain information held about them.
3. Ask for consent for collecting sensitive personal data, and it is good practice to ask before collecting any type of data.
4. Reassure customers by providing clear and effective privacy statements and explaining the purpose of data collection.
5. Let individuals know when 'cookies' or other covert software are used to collect information about them.
6. Never collect or retain personal data unless it is strictly necessary for the organisation's purposes. For example, a person's name and full address should not be required to provide an online quotation. If extra information is required for marketing purposes this should be made clear and the provision of such information should be optional.
7. Amend incorrect data when informed and tell others. Enable correction on site.
8. Only use data for marketing (by the company or third parties) when a user has been informed this is the case and has agreed to this (known as opt-in).
9. Provide the option for customers to stop receiving information (known as opt-out).
10. Use appropriate security technology to protect the customer information on your site.

2 Disability and discrimination law

Accessibility legislation
Legislation intended to protect website users with disabilities, including visual disability.

Laws relating to discrimination against disabled users who may find it more difficult to use websites because of audio, visual or motor impairment are known as **accessibility legislation**. This is often contained within disability and discrimination acts. In the United Kingdom, the relevant act is the Equality Act 2010, but in Northern Ireland the Disability and Discrimination Act 1995 still applies.

Web accessibility refers to enabling all users of a website to interact with it regardless of disabilities they may have or the web browser or platform they are using to access the site. The visually impaired or blind are the main audience whom designing an accessible website can help. Coverage of the requirements that accessibility places on web design are covered in Chapter 7.

3 Brand and trademark protection

Online brand and trademark protection covers several areas, including use of a brand name within domain names and use of trademarks within other websites and in online adverts.

Domain name registration
The process of reserving a unique web address that can be used to refer to the company website.

Domain name registration

Most companies are likely to own several domains, perhaps for different product lines or countries or for specific marketing campaigns. Domain name disputes can arise when an individual or company has registered a domain name that another company claims they have the right to. This is sometimes referred to as 'cybersquatting'.

The problem of companies' names being misappropriated was common during the 1990s, but companies still need to be sure to register all related domain names for each brand, since new top-level domain names are created through time, such as.**biz** and.**eu**. If you are

responsible for a company website, you need to check that domain names are automatically renewed by your hosting company (as most are today).

In the United Kingdom, Nominet (**www.nominet.uk**), who are responsible for UK top-level domains, manage many dispute resolutions. With many thousands of registrations each day, it is unsurprising that conflicts can occur. But, sometimes, cases are less than straightforward. Low-cost airline Ryanair made a complaint against Robert Tyler, who registered a domain **ihateryanair.co.uk**. Nominet found in favour of the airline on the grounds that the registrant Robert Tyler had made a small commercial gain and taken advantage of Ryanair's name (Halberstam, 2011).

Reputational damage from advertising and PR activities

Companies fear reputational damage through advertising on sites with which they wouldn't want their brand associated because of ad buys on social networks or ad networks (Chapter 9) where it was not clear what content their ads would be associated with. For example, Vodafone removed all its advertising from the social network Facebook after its ads appeared on the group profile for the British National Party. Many other advertisers withdrew their advertising as a result.

Negative PR can also have a larger impact today since negative publicity about a brand can be amplified through social media. For example, fashion retailers in the United Kingdom including Next plc, ASOS and German online retailer Zalando removed all of the clothing (in stores and online) produced by BooHoo, when the company was found to be paying its staff below minimum wage; it was accused of modern slavery over how it treated employees and not fully complying with social distancing rules during the COVID-19 global pandemic (see Case study 1 in Chapter 1). The backlash in the media was powerful and could permanently damage BooHoo's brand reputation (Nazir, 2020).

Monitoring brand conversations in social networks and blogs

Online brand reputation management and alerting software tools offer real-time alerts when comments or mentions about a brand are posted online in different locations, including blogs and social networks. Some basic tools are available including:

- Talkwalker Alerts™ (**www.talkwalker.com**) and Google Alerts (**www.google.com/alerts**), which will alert companies when any new pages appear that contain a search phrase such as your company or brand names.
- Buzzsumo™ (**www.buzzsumo.com**) shows content that is widely shared.
- Socialbakers™ (**www.socialbakers.com**) provides insights on which brands are most shared in a category on social media.

There are also more sophisticated online reputation-management services that offer more in-depth analysis on whether the sentiment is positive or negative and cover other issues such as unauthorised use of logos and use of trademarks. Examples include Brand24™, Sprout Social™ and Brandwatch™.

4 Intellectual property rights

Intellectual property rights
These protect the intangible property created by corporations or individuals that is protected under copyright, trade secret and patent laws.

Intellectual property rights (IPRs) protect designs, ideas and inventions, and include content and services developed for e-commerce sites. Closely related is copyright law, which is designed to protect authors, producers, broadcasters and performers by ensuring they see some returns from their works every time they are experienced. The European Directive on Copyright (2001/29/EC) came into force in many countries in 2003. This was a significant update to the law, which covers new technologies and approaches such as streaming a broadcast via the internet. The EU Directive (EU) 2019/790 that came into force in May 2019 continues in the United Kingdom post Brexit and the extent to which the UK Government intends to change or update this remains unclear.

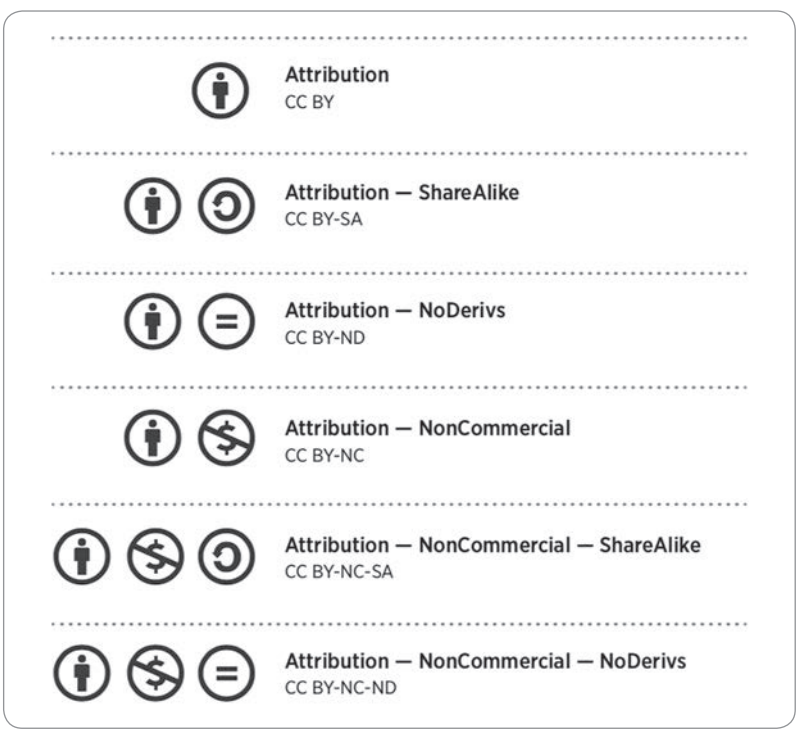
IP can be misappropriated online in two senses. First, an organisation's IP may be misappropriated and you need to protect against this. For example, it is relatively easy to copy web content and republish on another site, and this practice is not unknown among smaller businesses. Reputation management services can be used to assess how an organisation's content, logos and **trademarks** are being used on other websites.

Trademark
A trademark is a unique word or phrase that distinguishes your company. The mark can be registered as plain or designed text, artwork or a combination. In theory, colours, smells and sounds can also be trademarks.

The internet and the digitisation of content has made it easy to share (legally or otherwise). In 2002, Hal Plotkin published the first written piece to use Creative Commons (CC, **www.creativecommons.org**) and **search.creativecommons.org** provides over 500 million images licensed through various Creative Commons licensing options; see Figure 3.7, which depicts the options offered by CC. The aim of the CC movement is to build a better and more enriched body of work that provides an alternative to the standard copyright of 'all rights reserved':

- Box 1 CC: Attribution Alone. Anyone can use, share, develop, reform work as long as they credit the original author.
- Box 2 CC: Attribution by SA (ShareAlike). Anyone can use and develop the published content as long as they credit the original author and any changes to the original must be offered under identical terms.
- Box 3 CC: Attribution by ND (NoDerivs). This allows for redistribution and non-commercial sharing (of the whole original unchanged work).
- Box 4 CC: Attribution by NC (NonCommercial). Allows for use and development of original work but non-commercially and should acknowledge the original creator.
- Box 5 CC: Attribution by NC SA (NonCommercial ShareAlike). Anyone can use and develop the published content for non-commercial purposes, as long as they credit the original author and any changes to the original must be offered under identical terms.
- Box 6 CC: Attribution by NC ND (NonCommercial NoDerivs). This is the most restrictive of licences, which only allows others to download and share your work with others as long as they credit the originator. No changes can be made and it cannot be used commercially.

Figure 3.7 Creative Commons licence options



Source: Creative Commons (n.d.)

5 Contract and distance-selling law

Distance-selling law
Legal requirements for providing information about the contractual agreement entered into between a merchant and customer for providing goods and services, including company information, pricing, additional costs and returns.

Online contract law relates to the sales process rather than marketing communications, so is mainly relevant to transactional e-commerce businesses. Regardless of legal jurisdiction, which is typically based where the merchant is located ('the country of origin principle'), the principles of **distance-selling law** are that buyers, rights should be protected and there should be clarity and transparency about fees and processes, so additional costs shouldn't be hidden by the 'dark design patterns' discussed in Chapter 7. It's also important that merchants check the costs carefully since if items are mis-priced too low, the onus is on the retailer to supply goods at the fees advertised. Since returns are common for some e-commerce categories such as clothing, it's also required that merchants are clear on their cancellation or returns policies and any associated costs.

For example, the UK Government lists these requirements of information that must be provided for distance selling to be legal before an order is placed (GOV.UK, 2021):

- business name, contact details and address;
- a description of goods or services;
- the price, including all taxes;
- how a customer can pay;
- delivery arrangements, costs and how long goods will take to arrive;
- the minimum length of their contract and billing period;
- conditions for ending contracts;
- how customers can cancel and when they lose the right to cancel;
- if they will still need to pay reasonable costs for using a service after they cancel;
- a standard cancellation form, if they can cancel;
- conditions for money given as a deposit or financial guarantees;
- what digital content does (for example, the language it's in or how to update software);
- the cost of using phone lines or other communication to complete the contract where it will cost more than the basic rate.

Tax law is closely related to distance-selling law. It's now common that online sales value-added tax (VAT) is paid by the consumer in their country, which is known as 'place of supply'. The details of taxation can vary depending on whether the supply refers to physical goods or digital goods.

Post-Brexit, e-commerce businesses in the United Kingdom have had to change their approach to how taxes are collected and paid for sales in other countries. However, the principle is similar. For VAT purposes, the place of supply of a service is the place where that service is treated as being supplied to a consumer or business. This is the place where it's liable to VAT (if any). If the supply is in the United Kingdom, it is subject to UK VAT; if it's outside the United Kingdom, a local tax must be applied and paid in each country. From July 2021, businesses affected by changes to VAT rules can use a one-stop shop VAT accounting procedure to help manage overseas tax liabilities (Azets, 2021).

Taxation is also covered in the section on political influence, since there are ongoing discussions in many companies on whether higher digital taxes should be levied.

6 Online advertising law

Advertising standards that are enforced by independent agencies such as the UK's Advertising Standards Authority Code also apply in the internet environment (although they are traditionally less strongly policed, leading to more 'edgy' creative executions online, which are intended to have a viral effect). In the United Kingdom, the ASA maintains a list of 'noncompliant advertisers'.

One particular challenge of online advertising for consumers is that marketing communications must be obviously identifiable. Guidance covers these cases:

- Unsolicited email marketing communications must be obviously identifiable as marketing communications without the need to open them.
- Marketing communications must not falsely claim or imply that the marketer is acting as a consumer (i.e. marketers should not leave reviews about their companies or competitors on behalf of their business).
- Marketers and publishers must make clear that advertorials are marketing communications; for example, by heading them 'advertisement feature'. This guidance is necessary since the increase in native advertising has meant that many pieces of content masquerading as ads haven't been disclosed.

Native advertising
Online content that is integrated with publisher editorial content to promote or enhance a brand, such as a publisher article or social media update. Such content should be disclosed as advertising by law in many countries, and for this reason publishers refer to it as branded content.

In the US, the Federal Trade Commission (FTC) has defined **native advertising** as 'blending advertisements with news, entertainment, and other editorial content in digital media', i.e. it is synonymous with 'sponsored content'.

In the United Kingdom, the Advertising Standards Authority (ASA) has this guidance and examples on celebrity endorsements, particularly applying to social media, summarised as:

- Endorsements must be genuine.
- Claims must be accurate.
- Avoid the social media pitfalls.
- Remember age matters (in alcohol and gambling ads).
- Be aware of sector restrictions.
- Be responsible.
- Seek permission.

The following are examples of native advertising and celebrity endorsement that have broken advertising guidelines (Sweney, 2012, 2014):

- In 2012, England footballer Wayne Rooney used his Twitter feed to mention his sponsor Nike, by passing off a promotional message as a personal comment without clearly showing it was an advertisement.
- In 2014, British 'vloggers' or 'YouTubers' including Phil Lester and Dan Howell were censured after featuring an Oreo™ promotion 'Oreo Lick Race'.

An extension to the meaning of celebrity is that the ASA has ruled that social media influencers with over 30,000 followers are classed as celebrities and must adhere to the advertising codes. Digital marketers should take note and carefully scrutinise any claims they make to ensure they are within the codes of conduct.

Social forces

Social forces are closely linked with culture and have significant implications for digital marketing. Broadly speaking, the key factors that make up these forces are social communities based on demographic profile, social exclusion and cultural factors.

Our interest here is in the wider impact of demographic influences: changes in populations. Why this is important is that the size and growth rates of populations have implications for digital marketing strategy and planning.

Social exclusion

Analysis of demographic trends can reveal important issues, such as a significant group in each national population of at least a quarter of the adult population that does not envisage

ever using the internet. Clearly, the lack of demand for internet services from this group needs to be taken into account when forecasting future demand. Furthermore, this raises the questions of social isolation, and **social exclusion**.

Social exclusion
Part of society is excluded from the facilities available to the remainder.

Research by Age UK (2020) found there are over 3.4 million people aged 65 and over who have never used the internet and a further million who have rarely been online. Key barriers for this group are lack of knowhow and digital skills; security issues and fear of fraud; and lack of access to technology. To overcome these barriers this study found that having someone close by to help, having the opportunity to learn how to use the technology, free access and technical support could all encourage more use of the internet by this group.

Developed countries with the economies to support it are promoting the use of IT and the internet through social programmes, such as the UK Government's Digital Inclusion Strategy. During the COVID-19 global pandemic, the effects of loneliness and digital exclusion have been revealed as a particular problem as older and disadvantaged people have been confined to their homes during a series of government lockdowns, making it more difficult to get hold of necessities and missing interaction with community and family members. Over-reliance on digital communications channels during this period has had the effect of making more people feel socially disconnected (known as 'lockdown loneliness') and more likely to have a serious adverse effect on their physical and mental health (Shah *et al.*, 2020). Organisations are reaching out to help, for example DevicesDotNow was a campaign to help reduce digital exclusion – 1.9 million households in the United Kingdom do not have access to the internet and this campaign has helped raise £1.4 million and delivered 4,270 devices to help get vulnerable families online (Good Things Foundation, 2021). Simplified-access devices such as the RealSAM Pocket smartphone for visually impaired users and the GrandPad and Komp tablets for older users have been developed to encourage usage.

Digital minimalism and digital addiction

The advent of digital minimalism is another societal issue for marketers to be aware of since it may lead to decline in use of online services and make it difficult to reach some audiences online. The concept has arisen from the realisation that too much use of digital services can result in time lost to other activities such as relaxing and socialising and, in the worst case, to addictive behaviour. We explore the concept in Digital marketing insight 3.3.

Digital marketing insight 3.3 — Digital minimalism and digital addiction

Digital minimalism is a concept popularised by Cal Newport, a computer science professor at Georgetown University, in his book *Digital Minimalism: Choosing a Focusing Life in a Noisy World* (2020). In the book he defines digital minimalism as:

> *A philosophy of technology usage in which you focus your online time on a small number of selected and optimised activities that strongly support things that you value and then happily miss out on everything else.*

He recommends that we consider the potential misuse of our time using digital devices and services and the harm this could cause. Facebook, Twitter, YouTube and Instagram are examples of frequently used apps you will be familiar with, which grab the attention of billions of users daily. Newport says that their addictive nature is partly by design since 'attention engineers' create features to encourage repeat usage, which leads to increased ad revenue. A similar view is expressed in the Netflix-commissioned film *The Social Dilemma* (2019), which features the impact of digital addiction, and

former employees of digital platforms explaining the thinking behind the 'attention economy'.

In a single day we may reach for our phones over 100 times to check out our favourite apps. According to Busby (2018) 'social media platforms are using the same techniques as gambling firms to create psychological dependencies', which can leave us locked into certain products and brands. By sending notifications to update us, the three dots that encourage us to scroll to find more content and other interactive rewards may compel users to scroll and refresh the screen in a similar way that a gambler might pull the handle on a slot machine. While this level of engagement can produce positive results for advertising, research has shown that heavy users of social media can become depressed and over-anxious, and at a very minimum can lead to large amounts of time being spent engaging with mobile apps.

Newport (2020) recommends three principles of digital minimalism that adherents may follow:

1. **Clutter is costly.** He suggests minimalists recognise that using too many devices, apps and online services, particularly social networks, can be negative and result in the individual value of some digital activities being offset by the lack of attention and focus on other more important work and what he describes as 'high-value leisure' activities, which have a positive impact. Newport has never used Facebook or other social networks regularly but believes he can be successful as a computer scientist and author without them.
2. **Optimisation is important.** He suggests adherents should complete a digital declutter, which involves considering which online services are used and the cost/benefit of this. Some activities can be limited, or cut out entirely – for example, deleting social network apps or only accessing preferred social networks in the evening or on desktop. Various tools such as Freedom or SelfControl or, for apps, Cold Turkey or Flipd are recommended, which can be used to limit the use of social networks or other websites and apps.
3. **Intentionality is satisfying.** This highlights the positive aspects of becoming a minimalist, which are reported to include more time and greater focus on other activities. It also shows that most minimalists are not eschewing the use of digital technology completely, rather they review their use of digital services and then decide what they should focus on – Newport suggests seasonal and weekly plans, 'though they may not be for all'.

A video explaining a digital declutter and a TEDx talk are available from **www.davechaffey.com/book-support**, which explain the drivers behind digital minimalism. An extract from *The Social Dilemma* is also recommended.

How does digital minimalism relate to marketing?

The concept relates to marketing since it signifies an evolution of consumer behaviour where usage of social networks could become self-limiting when people realise it has a negative impact on their lives and take steps to use social networks less. Facebook's own reports to investors show declining numbers of active users in some key markets, although the overall global number of active users is increasing as the platform expands. Trends in active users tends to vary by age and it is to be expected that some demographics such as younger users spend more time on other platforms such as Instagram or TikTok.

Declining use of social media or particular networks may lead to difficulty in targeting some demographics. Changes in media investment may be needed to reach these audiences.

Generally, Newport (2020) is highly critical of digital platforms created by the FAMGA companies, who he says have created an 'attention economy' where consumers are manipulated by 'attention engineers' to spend more time on their devices, since this will increase ad revenue monetisation.

He notes the negative impact of unrestricted online activities on psychological well-being and talks about the dangers of 'digital addiction' where young individuals, in particular, may overuse social networks in their drive for social approval.

Newport refers to a blog article by Facebook employees David Ginsberg and Moira Burke (2017), who asked: is spending time on social media bad for us? This article was notable since it was one of the first times Facebook acknowledged that using its platforms could be negative for a user and implied it could lead to changes of mood, or even depression. It references different research, which looks at negative and positive impacts. Newport notes that the positives are accentuated and the suggested solutions are based more around how social media should be used rather than suggesting it should be used less. The article also notes changes Facebook has made to encourage more positive interactions with high-quality content within the newsfeed.

Economic forces

Globally, economic influences affect the level of success of business. Economic forces affect supply and demand and consequently it is important for digital markets to identify which economic influences they need to monitor. Classic economic factors (e.g. growth and unemployment, interest and exchange rates) can affect every aspect of business activity and are equally pertinent to off- and online businesses. International market growth and emerging economies, for example Central and Eastern European markets, Indian and Asian economies, also have the potential to influence digital marketing activities. In this section we explore the implications of economic forces for digital market growth and employment, interest and exchange rates and globalisation.

Market growth and employment

The economic environment can have a critical impact on the success of companies through its effect on supply and demand. Companies must choose those economic influences that are relevant to their business and monitor changes.

The impact of changes in demand can have far-reaching implications for digital marketing initiatives as this will affect the strength of market growth. Sophisticated technology enables companies to analyse purchasing patterns and forecast future demand. But this is only part of the picture of consumption that drives modern global economies. It is also important to monitor changes to trends (which affect market growth) in order to be able to make realistic predictions about how consumers and companies are going to behave in the future.

Economic growth

Throughout history there have been periods of strong economic growth followed by economic downturn and recession. The **dot.com** period of boom and bust at the beginning of the 21st century highlighted the fragility of high-tech markets and many of the emerging internet companies, which had high-value stock market valuations, crashed and no longer exist. However, from such disruption has emerged an online economy that is fuelling growth.

When there is economic growth during periods of boom, companies should be prepared to experience increased demand for their products and online services. During periods of economic decline, sales may decline as customers re-evaluate their needs and spending requirements. For digital marketers the challenge (from an economic perspective) is predicting the next boom or decline as they need to consider investments, research and development, and if they fail to correctly anticipate the changing state of the economy they may encounter difficulties or miss opportunities. According to Jobber and Ellis-Chadwick (2020), retailers are often the first to be affected and large businesses such as Carrefour™, Amazon and Walmart™ must plan to manage their national and international operations in anticipation of rising and falling consumer demand. While retailers are the first to experience rises and falls in demand, these changes quickly affect suppliers and manufacturers in the supply chain.

Interest and exchange rates

Interest rates are a key monetary tool used by governments in conjunction with banks and financial institutions to manage a country's economy. Interest rates represent the price that borrowers have to pay lenders for the use of their money over a specified period of time (Jobber and Ellis-Chadwick, 2020). Western economies tend to lower interest rates during hard times in order to stimulate economic activity and encourage borrowing and lending, in the hope that they can avoid a downturn.

Exchange rates are the price of trading one currency against another. Fluctuations in exchange rates mean that the price a consumer in one country pays for a product and/or the money that a supplier in an overseas country receives for selling that product can change. For example, if the exchange rate between the pound sterling and the euro changes, the pound may weaken. International suppliers and manufacturers often change their prices for a particular currency zone in order to ensure they maintain their prices at the required level. Digital marketers should carefully consider their markets in relation to currency fluctuations. Amazon has developed country-specific operations and trade in the national currencies associated with each domain.

Globalisation

In recent years the world has become more accessible, global expansion and exports across the world are now possible and the internet has been an influencing factor in the growth in trade.

Globalisation
The increase of international trading and shared social and cultural values.

In the digital world, **globalisation** reflects the move towards international trading in a single global marketplace and the blurring of social and cultural differences between countries.

The internet provides opportunities for market expansion, a key driver of adoption according to Doherty *et al*. (2003). Cross border e-commerce has facilitated foreign trade, improved global supply chains and reduced costs. Exchange of information and interactive communications through digital channels have also contributed (Ding, 2020).

However, digital marketers need to be aware of the implications of trading in global markets and consider whether to develop bespoke branding and marketing campaigns or whether to apply a standardised approach, and should also not lose touch with the needs and wants of local markets.

Economic disruption and the COVID-19 pandemic

This section has identified key economic factors and considered their potential impact for digital marketers and the online trading environment. But nothing could have prepared the world for the events of early 2020 when the COVID-19 virus spread from Asia around the world causing a major social and economic impact with which you will be familiar. As populations adapted to their new lives, and working at home became mainstream, this

created opportunity for many digital companies. In the workplace space, Zoom and Microsoft Teams saw massive growth in the use of their online video communication platforms. Slack, which provides a secure way to communicate using channels rather than email, saw significant increase in use (Sherman, 2020; Warren, 2020; Waters, 2021). Online gaming provided an escape and form of entertainment, with Nintendo Switch proving very popular, as did live-streaming video series and movies. Adoption of e-commerce increased significantly as many bought from home during lockdown, creating a 'new normal' where digital preferences were increased. In B2B markets, online webinars increased at the expense of traditional events. These market changes encouraged many to accelerate their digital transformation programmes.

Netflix attracted over 16 million new subscribers. But for other digital companies the pandemic was not positive: Uber cut thousands of jobs as no one was allowed to ride anywhere; Airbnb and **booking.com** found that social distancing and other restrictions on travel effectively shut their businesses down, as travellers were not making bookings and were cancelling those they had already made (BBC, 2020). The online advertising industry, which had previously been enjoying significant growth, saw a fall in revenue of nearly 15 per cent in 2020 and recovery is forecast to be slow (Hillier, 2021).

Political forces

Political forces can have implications for digital marketing strategy and planning. The political environment is shaped by the interplay of government agencies, public opinion and consumer pressure groups, and industry-backed organisations such as TrustArc (**www.trustarc.com**). Interaction between these organisations helps to create a trading environment with established regulations and privacy controls. The political environment has many factors that influence the trading environment, such as taxation, investment and management of business and public affairs. Political forces are closely intertwined with economic forces – for example, the government sets financial goals for the Bank of England, which in turn sets interest rates to control inflation. The government's influence over the economy has an impact on overall economic performance and also business investment. There may also be initiatives that relate directly to e-commerce that relate to new payment methods. Digital payment methods such as PayPal and Bitcoin have reduced centralised control and transparency. In many countries, a new Central Bank Digital Currency (CBDC) based on blockchain technology is being explored.

In 2020, the Bank of England published a discussion paper on CDBC, which it defined as an:

> electronic form of central bank money that could be used by households and businesses to make payments.

Since China announced a pilot programme for testing a CBDC in 2020, countries that are testing a CBDC to issue into public circulation include Sweden, France, the Philippines, Japan, Turkey and Switzerland.

Marketers can review political action enacted through government agencies to control the adoption of the internet, since this may give them opportunities for funding. Government actions include:

- promoting the benefits of adopting the internet for consumers and business to improve a country's economic prosperity;
- sponsoring research leading to dissemination of best practice among companies;

- enacting legislation to regulate the environment, for example to protect privacy or control taxation;
- developing strategies that create opportunities for growth and development of the digital economy.

As an example of a digitally-led initiative, the Department for Business, Energy & Industrial Strategy (BEIS) launched the UK's future Industrial Strategy, proposing a vision intended to transform the UK economy based on five foundations: ideas, people, infrastructure, business environment and places. Technical innovation and global trade in goods and services are key elements of the strategy and therefore of great significance to digital marketers as the Government will develop policy to support the achievement of its goals. For example, key policies focus on major investment in harnessing the value of innovation, new skills training, development of the digital infrastructure and business growth (HM Government, 2017).

In addition to the Industrial Strategy, the Department for Digital, Culture, Media and Sport (DCMS) has produced the UK Digital Strategy (DCMS, 2017). This strategy focuses on business skills and other activities that support the Industrial Strategy. In order to achieve the Government's aims to become a world-leading digital economy, the Digital Strategy is built on seven strands:

1. Connectivity
2. Skills and inclusion
3. The digital sector
4. The wider economy
5. Cyber space
6. Digital government
7. The data economy.

It is useful for marketers to be aware of the Government's policies to improve digital capabilities since there may be opportunities to gain funding for skills development or research and development. Many businesses in Australia and the United Kingdom have benefited from recruiting digital marketing apprentices as part of the skills development from such initiatives. This has helped businesses develop their employees' digital skills using matched government funding to support professional training from universities and other training providers. Swain (2020) outlines the remit of digital marketing apprenticeships.

DCMS has plans to present a new post-COVID strategy, which will focus on driving business growth in the digital sector and the wider economy. One of the key areas the new strategy promises to focus on is the digital upskilling of the workforce.

Political action and control

Government action that can have a significant impact on the online marketplace is control of intermediaries. This depends on the amount of regulation in a given country and in individual markets. Taking the United Kingdom as the example, regulation of different marketplaces occurs through these groups:

- **Financial Conduct Authority.** Aims to ensure that financial markets work effectively and fairly, and controls providers of banking products such as current accounts, savings and loans (**www.fca.org.uk**).
- **Ofcom.** Controls providers of mobile phone and broadband services (**www.ofcom.org.uk/**).
- **OfGEM.** Controls energy consumption (**www.ofgem.gov.uk/**).

In the financial services market, it is not necessary for a price comparison intermediary to show all providers. So, for example, one major insurance provider, Direct Line™, has

decided not to be included on comparison websites. However, in the energy industry it is required that all providers are to be included due to the industry regulators, although links between the intermediary and the suppliers are not.

Internet governance

Internet governance
Control of the operation and use of the internet.

Internet governance refers to the controls put in place to manage the growth of the internet and its usage. Governance is traditionally undertaken by government, but the global nature of the internet makes it less practical for a government to control online. No one runs the internet and while there are many individuals, businesses and organisations that have a vested interest in ensuring the stability of the internet, there is no central governing body. ICANN oversees the allocation of domain names and internet protocols and the US Department of Commerce has some sway over decisions relating to the domain name system (DNS) root zone (top-level domain system) with ICANN; some academics argue that, ultimately, the US has the power to have the final word on decisions (Woltag, 2012). The Internet Engineering Task Force (IETF) is involved with the maintenance and development of technical standards.

The net neutrality principle

Net or network neutrality
'Net neutrality' is the principle of provision of equal access to different internet services by telecommunications service providers.

The **net or network neutrality** principle enshrines equal access to the internet such that telecom providers do not discriminate access to data or connectivity for different users based on their type or amount of content and platforms. For example, restricting access to streaming services for people who cannot afford higher fees violates net neutrality. The most common context for net neutrality is the desire by some telecommunications companies and ISPs to offer tiered access to particular internet services. How net neutrality is implemented differs in different countries.

The second and less widely applied, but equally significant, concept of net neutrality is the wish by some governments (or other bodies) to block access to certain services or content. For example, the government in China limits access to certain types of content in what was glibly called 'The Great Firewall of China' (August, 2007).

More than a decade later China continues to implement censorship and control, although there have been many attempts to circumvent information censorship (Chandel *et al.*, 2019). Google and the Chinese authorities have continued to argue over free and uncensored access to information. Google ended its search product in this region in 2010 but continues to sell hardware products and cloud computing services to Chinese firms with international trade operations, and looks for opportunities to develop more market share in the region (Kharpal, 2019).

Taxation

How to change tax laws to reflect globalisation of trade facilitated by the internet is a problem that many governments are grappling with. The fear is that the internet may cause significant reductions in tax revenues to national or local governments if existing laws do not cover changes in purchasing patterns. The tax revenue collected from platforms such as Amazon, Facebook and Google has attracted much attention in many countries, since because of their legal taxation arrangements, tax may be paid at lower rates in other countries, resulting in reduced tax in the country where products or services are sold. Deliberations on new digital or online sales taxes is an aspect of the macro-environment that merchants will pay close attention to since it will affect their profitability. For example, the UK Government has proposed a 2 per cent Digital Services Tax on the revenues of search engines, social media platforms and online marketplaces that derive value from UK users. The European Union has proposed similar measures.

Activity 3.3 Do digital companies manipulate our behaviour?

Purpose

To evaluate the influence of major digital companies on consumer behaviour.

Task

Watch this TED Talk: 'How Amazon, Apple, Facebook and Google manipulate our emotions' by Scott Galloway of NYSU (**www.youtube.com/watch?v=xRL2vVAa47I**), which discusses the increasing dominance of some businesses.

1. What is the combined level of influence of Google, Apple, Amazon and Facebook, in terms of global GDP?
2. According to Galloway, what are the major concerns about this rising level of influence of the 'Big Four'?
3. Discuss the extent to which the behaviour of these firms is anti-competitive.

Tax jurisdiction

Tax jurisdiction determines which country gets the tax income from a transaction. Under the current system of international tax treaties, the right to tax is divided between the country where the enterprise that receives the income is resident ('residence' country) and that from which the enterprise derives that income ('source' country). Laws on taxation are rapidly evolving and vary dramatically between countries.

Social media and political change

The rise of use of social media for political purposes is having far-reaching consequences. Individuals have mobilised various campaigns via social media that have brought about change – for example, Occupy and the Arab Spring (Markham, 2016). Through social media there is a new form of political communication: politicians have direct contact with voters; campaigns can go viral and be shared with millions of social media users; adverts can be freely posted and shared via YouTube. Social media allows people to join together, and political lobbyists are very aware of the power of social media networks when it comes down to campaigning. These issues and more are explored in the case study at the end of this chapter.

Case study 3 Social media and the changing face of celebrity influencers

This case study explores how the reach and influence of social media is changing and reshaping the marketing environment. It introduces the Social Media Marketing Framework (SMMF) as a tool to review and plan social media marketing.

Our fascination with the personal and private lives of others has given rise to the increasing capacity of social media to influence every aspect of human activity (Alalwan *et al*., 2017). But commercially, the management and governance of this type of digital communication media is often in a state of anarchy (Felix *et al*., 2017). Nevertheless, research suggests that digital marketing managers can position their organisations in such a way that their use of social media becomes coherent,

consistent and more powerful than if they were to adopt social media in an unstructured manner. In this case we look at some evidence from high-profile social media cases and apply the strategic Social Media Marketing Framework (Felix *et al*., 2017) with the aim of looking into the complexity of this disruptive digital communications channel.

Social Media Marketing Framework (SMMF)

This framework offers a holistic way to consider the strategic application of social media. Felix *et al*. (2017) propose there are four dimensions to social media marketing:

1. **Scope.** This dimension focuses on the extent to which social media platforms are used as a one-way communications tool, which provides content to entertain and inform end users, or as an authentic collaborative environment, which facilitates reciprocal interactions between end users and companies.
2. **Culture.** This dimension distinguishes between use of social media as a traditional mass-marketing channel or a more modernist approach of being open and flexible and embracing the style of social media platforms.
3. **Structure.** This dimension looks at organisation and how social media is deployed: is its application subject to centralised control and clearly defined protocols to assigned employees, or is it decentralised and the responsibility of all employees, which removes the need for the role of a marketing director?
4. **Governance.** This dimension relates to company rules and to what extent employees are told what they can and cannot say on social media platforms.

This framework seeks to highlight the complexities underlying the use of social media, and the importance of taking a multidimensional approach towards its application and management.

Now let's look at some recent high-profile social media activity to see if the SMMF helps shed light on the reach and success of each of our pieces of evidence.

Evidence 1: Celebrity engagement – Kylie Cosmetics

Social media platforms, from Facebook, Twitter and Instagram to LinkedIn, invite sharing of personal and commercial information, in various formats – text, photos, videos, audio, blogs and messages. In 2018, Kylie Jenner, US reality television celebrity and social media personality, reportedly wiped $1.5 billion dollars off the value of Snapchat by tweeting that she no longer read those messages. Kylie, who seeks to constantly engage her audience, posted an indistinct image of her new baby daughter and got 11 million likes in just a few hours (BBC Newsround, 2018). Kylie is related to Kim Kardashian, famous in the United States for reality TV show *Keeping Up with the Kardashians*. Kim and the rest of the Kardashian–Jenner family have developed a powerful social media presence, which is also financially valuable (Gajanan, 2017). Kylie has utilised the reach of digital social media to build a $400 million cosmetics business in under two years. On her Kylie Cosmetics website, customers are encouraged to use the hashtag #KylieCosmetics to share photos of themselves wearing the makeup products. Her interest in social media came from YouTube teen makeup tutorials and she utilised this knowledge and an online show to grow the cosmetics brand.

Evidence 2: Political campaigns – #grabyourwallet

Shannon Coulter launched a campaign to encourage shoppers to stop buying Ivanka Trump apparel following derisory comments from former United States president Donald Trump about women. Her campaign, #grabyourwallet, called for action to boycott retailers stocking this fashion brand. As the social media campaign grew, more big-brand US retailers such as Neiman Marcus, Belk and Nordstrom reconsidered whether they should sell this merchandise. Interestingly, none of these retailers actually reported on links between the boycott and how it had affected sales. For Coulter, the campaign has burgeoned into a much wider expression of 'anti-Trump sentiment' and an economic boycott against companies with connections to Donald Trump (Halzack, 2017). She sees this as being a way for consumers to get actively involved with others who share similar opinions.

Evidence 3: Financial compliance

The financial services industry is typically risk averse, so initially social media represented a major threat and as a result many banks, building societies and other financial institutions avoided being represented on social media platforms. But many of their customers had other ideas, as they increasingly demanded real-time responses from all of the companies and service providers they engage with. So, these firms began investing in financial technology (FinTech), which resulted not only in faster and improved services but also widespread use of social media. Facebook, Twitter and other platforms are used in a controlled way: as a channel that facilitates customer interaction; a marketing channel to improve targeting and niche market expansion; a delivery channel for new products; and exploring new business models (Eldridge, 2017). But hereby is perhaps the biggest threat of all: by embracing social media, financial services have conceded

'customer mindshare' to FAMGA (Facebook, Apple, Google, Microsoft and Amazon) and paved the way for non-banks to replace the long-standing traditional financial services firms (Birch, 2018).

Evidence 4: Social media local and personal

Instagram launched in 2010, attracted 10 million members in year one and its membership has now reached nearly 1 billion active users, with the rate of its expansion growing faster and faster. This growth may be explained in part by the war between Facebook (owners of Instagram) and Snapchat, which created new ways to communicate using personal images. Instagram has added features, with greater opportunity to personalise photo galleries, and in doing so has become more like Facebook (Manjoo, 2017).

Questions

1. Use the dimensions of the SMMF to analyse the following:
   - **a** Kylie Jenner's cosmetics;
   - **b** Shannon Coulter's #grabyourwallet.
2. Suggest how the SMMF helps to:
   - **a** interpret what is happening in the financial services industry in relation to its use of social media;
   - **b** provide strategic solutions for the use of social media that might help to protect banks and building societies from the FAMGA companies.
3. Discuss the extent to which it is possible to strategically manage social media, using case evidence 1 to 4 in the case study.

Summary

1. Environmental scanning and analysis of the macro-environment are necessary in order that a company can respond to environmental changes and act on the forces that shape the trading environment.
2. Technological forces are arguably the most likely and most important for digital marketers to watch and assess. Rapid variation in technology requires constant monitoring of adoption of the technology by customers and competitors, and appropriate responses.
3. Legal forces are also key to successful digital marketing as contravening laws and codes of practice can have negative impacts on businesses. Digital markets and e-commerce managers should be aware of privacy and data protection, distance-selling rules, taxation and brand reputation protection, including domain name registration and copyright.
4. Social forces include variation in usage of the internet, while ethical issues include the need to safeguard consumer privacy and security of details. Privacy issues include collection and dissemination of customer information, cookies and the use of direct email. Marketers must act within current law, reassure customers about their privacy and explain the benefits of collection of personal information.
5. Economic forces considered in this chapter include classic economic factors, i.e. employment, interest rates and market growth, as well as emerging markets for digital marketers.
6. Political forces involve the role of governments in promoting e-commerce, but also in trying to restrict it, which raises the question of democracy and the internet.

Exercises

Self-assessment exercises

1. Summarise the key elements of the macro-environment that should be scanned by a digital marketing and e-commerce manager.
2. Give an example of how each of the macro-environment forces may directly drive the content and services provided online across multiple channels: web, mobile and social media.
3. What actions should digital marketing managers take to safeguard consumer privacy and security?
4. Give three examples of techniques digital channels can use to protect the user's privacy.
5. How do governments attempt to control the adoption of the internet and to what extent does this impact on the democracy of information?
6. Suggest approaches to managing the rapid change of technological innovation.

Exam and discussion questions

1. What macro-environment scanning activities and steps are necessary when launching a new product or brand?
2. You recently started a job as digital marketing manager for a major retailer. Produce a checklist of all the different legal issues that you need to check for compliance on the retailer's digital channels.
3. Discuss the influence of the UK Government on the growth of the digital economy.
4. Discuss the legal constraints a marketer should consider when managing social media channels for a manufacturer brand.
5. Social media can be a powerful communication channel. Discuss the opportunities and pitfalls of these platforms with reference to the main social networks and examples of how brands have used them positively or negatively.
6. Debate the impact of digital technology on the way we live, work and enjoy ourselves by focusing on freedoms and limitations.
7. Discuss the implications of not conducting environment scanning when launching a new product or brand.

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Weblinks

A directory of recommended website links, including videos, analysis tools and sources for statistics from the digital macro-environment, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**.

Part 2

Digital marketing strategy development

In Part 2, we explore digital marketing strategy development by combining traditional approaches to strategic marketing planning with deploying digital media, data and technology. Chapter 4 presents a framework for developing digital marketing strategies, Chapter 5 discusses the opportunities for varying the marketing mix online and Chapter 6 reviews strategies for digital customer relationship management.

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4 Digital marketing strategy

Learning objectives and topics

After reading this chapter, you should be able to:

- Explain the importance to organisations of creating a digital marketing strategy and implementation process
  - What is a digital marketing strategy?
  - Why are a digital marketing strategy and digital transformation needed?
  - How to structure a digital marketing strategy
- Explain activities needed to inform a digital marketing strategy
  - Situation analysis
  - Competitor analysis
- Define different types of goals for digital marketing
  - Setting goals and objectives for digital marketing
- Evaluate alternative digital strategy approaches
  - Strategy formulation for digital marketing
- Assess success factors for digital strategy implementation
  - Organisational issues of strategy implementation
  - Assessing different digital initiatives including marketing technology

Case study

Case study 4: ASOS shifts the focus of high-street retailing to enhance the customer experience

Links to other chapters

- Situation analysis to inform strategy is covered in Chapters 2 and 3.
- Chapter 5 explores elements of the marketing mix that may form part of strategy.
- Chapter 6 describes customer relationship management strategies and online segmentation, which are vital for strategy development.
- Chapter 8 describes goal setting for marketing campaigns and strategies for developing the right communications mix.

Introduction

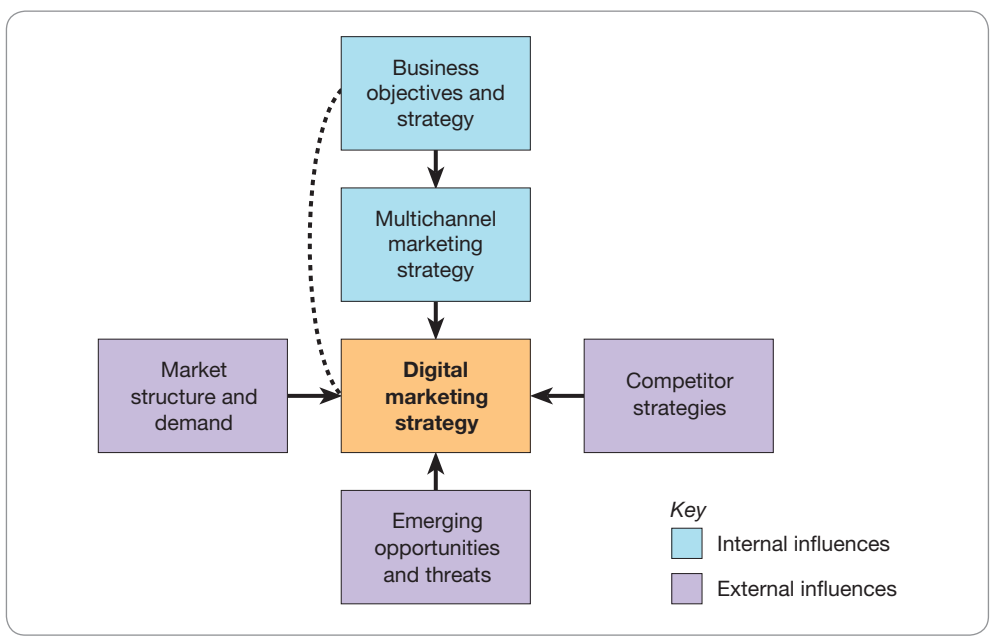
In this chapter, we suggest an appropriate process for developing an integrated digital marketing strategy covering these strategy development activities:

1. situation analysis (drawing on our coverage in Chapters 2 and 3);
2. goal and objective setting;
3. strategy formulation;
4. organisational issues of strategy implementation.

We start by considering the need for an integrated digital marketing strategy and its scope. In some smaller organisations the scope of digital marketing strategy is limited to changing investment in digital marketing communications. We suggest that more fundamental opportunities to use digital channels to impact business and revenue models should also be considered as part of digital transformation in larger, existing businesses. Both opportunities are explored in the eight strategy decisions to be considered as part of strategy formulation.

Figure 4.1 provides an overview of digital marketing strategy development. The internal influences include top-level business objectives, which influence marketing strategy and ultimately provide direction for the digital marketing strategy. Key external influences include the market structure and demand, competitor strategies, and opportunities and threats, in particular those enabled by new digital technologies (e.g. mobile marketing and social media, virtual reality, artificial intelligence) and marketing tactics (e.g. use of search, advertising, personalisation and messaging). Methods for analysing the external environment to anticipate external opportunities and threats and competitors' actions have been introduced in Chapters 2 and 3.

Figure 4.1 Internal and external influences on digital marketing strategy



Essential digital skills | Digital strategy development

Of all the topics in this text, strategy is the most difficult in which to develop your skills without direct experience of different sectors. But, by comparing examples of strategy development by online businesses and multichannel businesses of different sizes in different sectors, you will be able to generate ideas for digital disruption that other organisations have used that could apply in your sector.

We recommend you develop these skills:

- understanding digital revenue and business model trends (which we first introduced in Chapter 2); refer to **forrester.com**, **gartner.com**, **mckinsey.com** for recommendations in different industries;
- understanding how to assess audience demand for services in a sector and the potential for a business to attract new customers at an acceptable cost-per-acquisition.

Practical ideas to boost employability by showcasing your interests and experience include:

- using the Business Model Canvas framework, (**www.strategyzer.com**) to summarise business models for the examples in this chapter or companies you are familiar with from your work experience;
- using the tools for assessing consumer demand for digital services, introduced in Table 2.1 – for example, using the Google Ads Keyword Planner to assess the cost and volume of attracting visits through paid search or Facebook IQ for increasing awareness using Facebook advertising;
- understanding the VQVC objectives explained in this chapter by accessing the Google Analytics demo account for their retail store (you can find it via Google).

What is a digital marketing strategy?

Digital marketing strategy
Definition of the capabilities and strategic initiatives to support marketing and business objectives an organisation should deploy to harness digital media, data and marketing technology to increase omnichannel engagement with their audiences using digital devices and platforms. Its scope should include opportunities from both new business and revenue models and always-on and campaign communications.

Fundamentally, a **digital marketing strategy** should provide consistent direction for an organisation's online marketing activities and channel integration. The aim is to ensure integration of digital and other marketing activities and to support overall business objectives. In most modern organisations, digital marketing strategy aims to *align with* marketing strategies to grow a business through customer acquisition and retention or to achieve communications goals in not-for-profit organisations. It may also aim *to impact* business and marketing strategy by identifying opportunities to create value for customers and the organisation by involving new business or revenue models such as subscription commerce. Our definition of digital strategy development emphasises the need to deploy digital media, data and technology integrated with traditional channels to achieve audience engagement goals to support marketing objectives (see Chapter 1 where we define the '7Ds of digital marketing').

Digital marketing strategy as a channel marketing strategy

For existing businesses, digital marketing strategy is a **channel marketing strategy**, which defines how a company should set *channel-specific objectives* and develop *differential* advantage. At the same time it should define how communications should integrate

Channel marketing strategy
Defines how a company should set specific objectives for digital channels and how they integrate with traditional channels, including web, mobile and social media, and vary its proposition and communications for this channel.

Multichannel marketing strategy
Defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

Omnichannel marketing
Planning and optimising always-on and campaign-focused marketing communications tools integrated across different customer lifecycle touchpoints to maximise leads and sales, and delivering a seamless, integrated customer experience to encourage customer loyalty.

Customer touchpoints
Communications channels through which companies interact directly with prospects and customers. Traditional touchpoints include face to face (in-store or with sales representatives), phone and mail. Digital touchpoints include web services, email and mobile phones.

as part of a **multichannel marketing strategy** or **omnichannel strategy** (introduced in Chapter 1). Today's need for planning omnichannel marketing activities is explained by this definition from John Bowden, Senior VP of Customer Care at Time Warner Cable in Stocker (2014):

> Multichannel is an operational view – how you allow the customer to complete transactions in each channel. Omnichannel, however, is viewing the experience through the eyes of your customer, orchestrating the customer experience across all channels so that it is seamless, integrated, and consistent. Omnichannel anticipates that customers may start in one channel and move to another as they progress to a resolution. Making these complex 'hand-offs' between channels must be fluid for the customer. Simply put, omni-channel is multi-channel done right!

This highlights that omnichannel also refers to the customer experience where customers are using multiple digital channels and traditional channels, but they rightly have the expectation that their experience is 'seamless, integrated and consistent'.

A key aim is to use digital channels to enable companies and organisations to stand out from the competition when communicating with relevant target audiences. Digital channel strategy has two components – many may see it simply as a digital communications strategy (reviewed in Chapters 6 to 9), but it should also define changes to the brand proposition enabled by digital channels (reviewed in Chapter 5 on the marketing mix), including digital branding, product, pricing, place, promotion and changes to customer service.

The strategy determines the strategic significance of digital channels relative to other communications channels used to communicate directly with customers at different **customer touchpoints**. See Figure 2.1 for further discussion of lifecycle customer touchpoints.

Which digital marketing activities should have focus?

The significance of the role played by digital channels, technologies and media in marketing planning has grown year on year. In many sectors, digital channel adoption was accelerated by the COVID-19 pandemic, with lockdowns requiring people to select and buy products online. While enhancing digital experiences for mobile and desktop users will continue to be a central part of digital strategy and implementation, digital marketers should also examine other key areas of focus, including:

- using marketing automation and AI tools for customer relationship development (as described in Chapter 6); these may include email, mobile and web-based personalisation based on predictive analytics from CRM databases;
- developing the overall customer experience across multiple channels, as described in Chapter 7 in the section on customer experience management (CXM), including using structured experiments such as AB testing, and innovation such as augmented and virtual reality;
- maximising the results from integrating content-led always-on and campaign-based digital communications such as search marketing, social media, digital PR and advertising (as described in Chapters 8 and 9);
- harnessing social media marketing, both through use on its own site through user-generated content and through paid ads within the main social networks such as Facebook, Instagram, LinkedIn and Twitter (as described in Chapter 9).

Content marketing fuels all of these digital marketing activities since creative content helps gain visibility across search, display advertising and social media marketing and persuades people to purchase via website, apps, emails and social media updates. So we also believe that defining a content marketing strategy (Chapter 6) is important to the future of all

organisations. Strategy development may also involve redesigning business processes to integrate with partners, e.g. suppliers and distributors.

Table P.1 in the Preface suggests the range of digital marketing activities that must be managed as part of a digital marketing strategy, structured around the customer lifecycle defined as the four steps in the RACE digital marketing planning framework (Chaffey, 2015). Table 4.1 shows that the operational digital marketing activities that need to be implemented and managed as part of strategy can be usefully divided into those focusing on (1) customer acquisition, (2) customer conversion, proposition and experience development, and (3) customer retention and growth. Improving the capability to execute many of these activities will be decided upon through the review process of creating a digital marketing strategy. An output from the digital strategy will be a series of strategic digital marketing initiatives in the areas of customer acquisition, conversion or retention, such as those shown in Table 4.1. These initiatives will typically be prioritised and placed as part of a long-term e-commerce 'roadmap' defining required developments over a longer period, say one to three years.

Table 4.1 Summary of typical focus for main types of strategic digital marketing initiatives

Type of digital marketing strategy initiative	Commentary	Examples
New customer proposition (product and pricing)	Innovative digital experience features or digital communications related to new products or services that will generate revenue or increase loyalty	ING uses Big Data AI analysis in its banking app to predict when customers may run out of money within the next 30 days
New business and revenue model	Brands can extend their influence in the value chain to increase revenue, particularly through new, direct-to-customer services or sales channels, or leveraging digital intermediaries	Pharma company Abbott introduced FreeStyle Libre, a consumer subscription commerce option to improve access and loyalty for its diabetes care devices
Customer acquisition	Innovative marketing designed to enhance digital capability and aimed to attract new customers	Content and inbound marketing deployed by HubSpot™ to achieve a successful stock-market flotation in the US including: search engine optimisation (SEO) pay-per-click (PPC) Co-marketing and influencer marketing Affiliate marketing and aggregators more relevant for transactional businesses
Customer conversion and customer experience initiatives	Innovative features that add functionality and increase conversion rates and average order values. Strategic initiatives aimed at improving the customers' brand experience	JD Wetherspoon's 'order & pay' app. Customers can now find a table, order and pay on their phone; food and drinks are delivered directly to the table. No queuing at the bar or waiting to pay. Reducing barriers drives sales
Customer development and growth strategic initiatives	Investments to improve the experience and delivery of offers to existing customers	Volkswagen™ is increasing sales and customer conversion through its digital ecosystems. The MyVolkswagen app links customers to their car, providing servicing updates and delivery information; Car-Net connects smartphones and watches to navigation and in-car security; Volkswagen Connect gives driving information, charging updates and car location capabilities
Social media and content marketing	Broader application of content marketing and social media for acquisition, conversion and retention	Airbnb used Instagram and celebrities such as Mariah Carey and Lady GaGa to act as influencers for the accommodation platform

Type of digital marketing strategy initiative	Commentary	Examples
Enhanced marketing capabilities through site infrastructure improvements	These typically involve 'back-end or back-office features' that won't be evident to users of the site, but will help in the management or administration of the site	CRM or personalisation Content management system Performance improvement – improve management information, web analytics systems including systems for multivariate and AB testing Improve customer feedback facilities
Resourcing and governance strategies	Changes needed to marketing management given the increased importance of digital media and technology	Process change Skills development Team structure

Source: Based on information from: **www.ing.com**; **www.freestylelibre.co.uk/libre**; **www.cmswire.com**; **www.jdwetherspoon.com**; **www.volkswagen.co.uk**; **www.izea.com**

Why are a digital marketing strategy and digital transformation needed?

Creating business and marketing strategies are fundamental activities for most businesses as they seek to plan their future direction to compete within a marketplace. Given this, we think it's useful to question why a digital marketing strategy is needed, what it involves and how it relates to other strategies. Many experienced marketers have suggested that a digital marketing strategy is unnecessary or tactical, as shown by the quotes and examples in Digital marketing insight 4.1. However, we believe that, for most organisations, a defined digital marketing strategy aligned with business and marketing strategy is valuable, since without it they may be using digital marketing without direction, leading to wastage of resources and missed opportunities. This can lead to a competitive disadvantage if more digitally savvy competitors are using digital marketing more effectively by investing appropriately in digital media, digital experiences and technology. With a dedicated digital marketing strategy, businesses can ensure they generate demand through omnichannel always-on and campaign activities as consumers and businesses seek solutions through online channels.

Research by Smart Insights (2021) reviewed approaches to planning digital marketing. They asked businesses of different sizes from around the world 'Does your organisation have a clearly defined digital marketing strategy?' The answers were:

- No digital marketing strategy – 48 per cent.
- Digital marketing strategy integrated into our marketing strategy – 40 per cent.
- Separate digital strategy in a dedicated document – 12 per cent.

Clearly there are many businesses doing digital marketing without a strategic approach that may be at risk of competitive disadvantage for the reasons outlined in this section. For those with a digital strategy, the most favoured approach is a digital strategy integrated with the marketing strategy, and we would suggest this is what most businesses should aim for. They may also have a more detailed digital marketing plan owned by digital marketing specialists for improving always-on communications using marketing technology. As a first practical step in digital transformation, it is useful to create a separate specific document defining the need for investment in digital marketing and defining a long-term roadmap to transform the business using digital media and technology.

The previously referenced research by Smart Insights (2021) showed that many businesses either already have introduced (27 per cent) or were planning to introduce (35 per cent) a digital transformation programme. This requirement to run strategic digital initiatives suggests that businesses do believe that digital is sufficiently important for their future to warrant

Digital marketing insight 4.1 — Is a digital marketing strategy needed in the post-digital world?

The term 'post-digital' has been used for many years to describe a world where digital marketing activities are simply part of marketing. This is effectively the way customers view the world; it's entirely natural to use smartphones or laptops for selecting or buying products or services alongside traditional channels where needed — for example, for high-involvement purchases. Keith Weed, Head of Communications at Unilever™, says 'we are no longer doing digital marketing, but marketing in a digital world' (Weed, 2017).

In an article 'The post-digital era is coming: are you ready?', Paul Daugherty, Group Chief Technology Officer (CTO) at global consultancy Accenture, explains (Daugherty, 2019):

> Digital is indeed still important, but now it is simply the price of admission for doing business — it is no longer a differentiation advantage. . . In the post-digital world, differentiation comes from applying digital in powerful new ways. The technologies needed to innovate and differentiate go beyond the foundational adoption of digital tools and concepts. It's an era where building trust with customers, employees, business partners and communities through a responsible approach to technology is the top priority.

He rightly stresses that it is innovative use of digital technology to achieve competitive advantage that should be the focus.

Some have questioned the need for a dedicated digital marketing strategy. In *Marketing Week*, columnist Mark Ritson (2021) suggests in a comedic example of a modern job interview, that a candidate for a senior marketing job today who wants the job is obliged to state, if asked about a digital marketing strategy, that 'I think a digital marketing strategy is at the core of every successful company these days'. However, he believes that the correct, more realistic answer should be: 'No, because if I ever develop a "digital marketing strategy" I clearly have no idea what I am doing. For starters, the digital prefix is inherently tactical in nature and execution'.

We hope to demonstrate in this text that although digital communications are tactical, digital channels also offer opportunities for competitive advantage through new business and revenue models and by executing digital tactics such as search, content and social media marketing more effectively than competitors to gain visibility, awareness and preference for brands online.

a separate focus to develop new processes, structures and skills for business competitiveness. Reviewing marketing roles in organisations using LinkedIn shows that there are many new digital marketing roles for managing digital activities, from digital transformation to digital experiences and digital analytics through to the tactics such as search, social media and email automation. With many specialist roles in digital marketing in businesses, a digital strategy to prioritise and integrate their activities is important. Of course, traditional roles such as brand, product, marketing and campaign managers are still vital to shape and implement strategy.

Digital skills need to be developed in these teams too and many larger organisations have a central 'Digital marketing centre of excellence'. In an article 'Inside 3M's quest to be both big and fast' (Lloyd, 2017), Erin Craven, 3M's Executive Director of Marketing and Sales for Canada, describes her role as: 'to help our marketers be better marketers and better sell in the digital world'. For 3M Canada, 3M's 55,000 products (from Post-It Notes

to respiratory masks) are managed by 100 marketers in 27 business divisions serving both consumer and B2B markets. The article explains that before creation of the centre of excellence, the organisation was siloed as expected for a complex company, and finding success in digital was only sporadic. She explains:

> 'It wasn't that we had too many cooks in the kitchen; we had too many kitchens', she told *Strategy*. 'Everyone knew they needed to "be digital," but everyone was dabbling in it. We weren't building subject matter expertise.'

Her solution was to create a digital marketing centre of excellence that the 100 marketers can leverage. This specialised team of about 30 – staffed by a selection of internal team members and bolstered by external hiring to fill in the skill gaps – offers everything from SEO to digital content consultation. 'Ruthless prioritisation is how we eat, sleep and breathe', she says.

This example shows that a focus on digital marketing is 'here to stay' in many organisations, as digital requires focused resources and focused priorities, which must align with business priorities. It's why there are so many digital transformation projects in play.

Challenges of managing digital marketing

Digital marketing is becoming increasingly pervasive across every aspect of an organisation's activities, but there are many challenges of managing digital media and technology to consider when seeking to integrate digital marketing across an organisation:

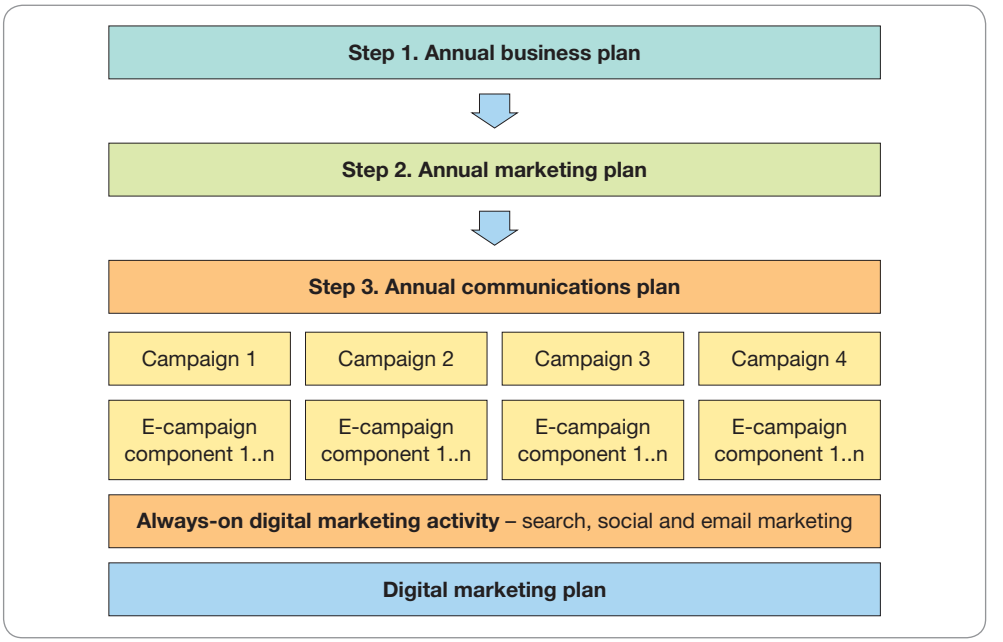
- *gaining buy-in and budget* consistent with audience media consumption and value generated;
- *conflicts of ownership and tensions* between a digital team and other teams such as traditional marketing, IT, finance and senior management;
- *coordination with different channels* in conjunction with teams managing marketing programmes elsewhere in the business;
- *managing and integrating customer information* about characteristics and behaviours collected online;
- *achieving consistent reporting*, review, analysis and follow-up actions of digital marketing results throughout the business;
- *structuring the specialist digital team* and integrating into the organisation by changing responsibilities elsewhere in the organisation;
- '*time to market*' for implementing new functionality on a site;
- *insourcing vs outsourcing online marketing tactics*, i.e. search, affiliate, email marketing, PR; staff recruitment requirements.

Digital transformation
A staged programme of organisational improvements to business models, people, process and technologies used for integrated digital marketing in order to maximise the potential business contribution of digital technology, data and media.

Given the scope and importance of digital marketing for many organisations, as we explained in Chapter 1, many large organisations are now implementing **digital transformation** programmes to manage these challenges, which have these features:

- Gain agreement of long-term digital marketing strategy and investment levels between relevant parts of an organisation, i.e. senior management team, marketing, corporate communications/brand, e-commerce/trading, IT and data management.
- Broad scope covering resource investment for digital media, data management and marketing technology.
- Consider changes to process, structure and skills (internal and resources) needed to implement change and agree integration of communications across traditional and digital channels.
- Review approach to insight, measurement and improvement, e.g. agreeing relevant KPIs, dashboards to review them and use of structured experiments to make improvements.
- Define a roadmap and change programme for implementing changes.

Figure 4.2 Hierarchy of organisation plans including digital marketing plans



Ultimately, the transformation plan should integrate all of its strategic plans into the organisation's overall long-term business plan. Figure 4.2 shows a planning hierarchy for an organisation, from a corporate or business plan. The figure shows how the digital marketing plan supports other strategic and tactical initiatives.

Failure to plan how to manage digital channels can lead to the problems shown in Table 4.2, which can be reduced if a digital marketing strategy and transformation plan is in place to manage the problems. Activity 4.1 explores the benefits of a planned approach.

Table 4.2 Digital marketing planning failures and solutions

Potential failure or problem	Potential solution
Underestimated customer demand for online services	Research demand, set objectives, allocate sufficient resources
Intense competition from existing and new market entrants that may spark digital disruption in sector through new business or revenue models	Analyse the market, especially the intensity of rivalry, anticipate competitive responses, plan a clear market-entry strategy or potential changes to business and revenue models
Duplication of resources	Improve internal communications to avoid different parts of the marketing organisation purchasing different tools or different agencies for performing similar online marketing tasks
Insufficient resources and capabilities	Ensure budget and specific specialist digital skills are available to support the strategic initiatives including 'always-on' activities to continuously engage audiences using search, social and email marketing
Relevant customer data not collected or uitlised	Research to ensure best-possible knowledge of target customers; integrate customer data into existing systems
Lack of control	Measure and analyse regularly to take corrective action to ensure achievement of objectives
Lack of senior management support	Ensure support for a long-term digital transformation plan as this will be needed to drive major strategic initiatives

Activity 4.1 Benefits of digital marketing planning

Digital markets are growing in complexity as reach extends through new applications, social media platforms and technologies (Vieira *et al*., 2019). Without a digital marketing strategy, new business, brand exposure and revenues can all be significantly affected, particularly since new entrants may encourage digital disruption within a sector.

Purpose

To consider the benefits and barriers to the adoption of dedicated digital marketing planning.

Task

Imagine you are a marketing manager responsible for the development of your organisation's digital marketing strategy. Using an organisation you are familiar with, outline the barriers and potential benefits of proactive digital marketing planning.

How to structure a digital marketing strategy

Michael Porter (2001) suggested the internet has heightened the importance of strategy, but he encouraged businesses to be cautious and suggested where businesses should focus when developing their strategy. He suggested six principles that could help to sustain a distinctive strategic position:

1. Start with the *right goal*, which is grounded in real economic value.
2. Define a *value proposition*, which is unique but, importantly, deliverable.
3. Do things differently; create *a distinctive value chain*.
4. Be prepared to make *trade-offs*, tailoring a firm's activities to outperform rivals.
5. Create a *fit* between what the company does, where it wants to be and the resources available.
6. Establish *continuity*. Planning decisions follow the distinctive position set out by the original goals.

These principles remain fundamental to how to define value through a digital marketing strategy. More recently, Porter has recommended that innovative technologies are forcing companies increasingly to ask the question 'what business am I in?' (Porter and Heppelmann, 2014) as competition intensifies, due to increased data processing power and almost universal connectivity. The other aspect of a digital marketing strategy that Porter didn't consider, since it is more tactical, is how to improve digital marketing communications capabilities. This requires prioritisation of investment in digital marketing activities, such as those explored in Part 3, to improve reach, customer experience, conversion and retention.

Marketing planning and strategy comprises a complex and resource-intensive set of processes that can deliver great rewards if fully embraced (Jobber and Ellis-Chadwick, 2020). A **strategy process model** provides a framework that gives a logical sequence to follow to ensure inclusion of all key activities of strategy development and implementation. In a marketing context, these strategy development and implementation activities are coordinated through a marketing plan, and the process of creating this is known as **marketing planning**. McDonald (2003) defined marketing planning simply as:

> the planned application of marketing resources to achieve marketing objectives. . . Marketing planning is simply a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Strategy process model
A framework for approaching strategy development.

Marketing planning
A logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

McDonald (2003) distinguished between strategic marketing plans that cover a period beyond the next financial year (typically three to five years) and tactical marketing plans that cover detailed actions over a shorter time period of one year or less, and this is equally applicable to digital marketing planning. In a similar way, we suggest that a strategic digital marketing plan, often known in large companies as a digital transformation plan, should place emphasis on four areas:

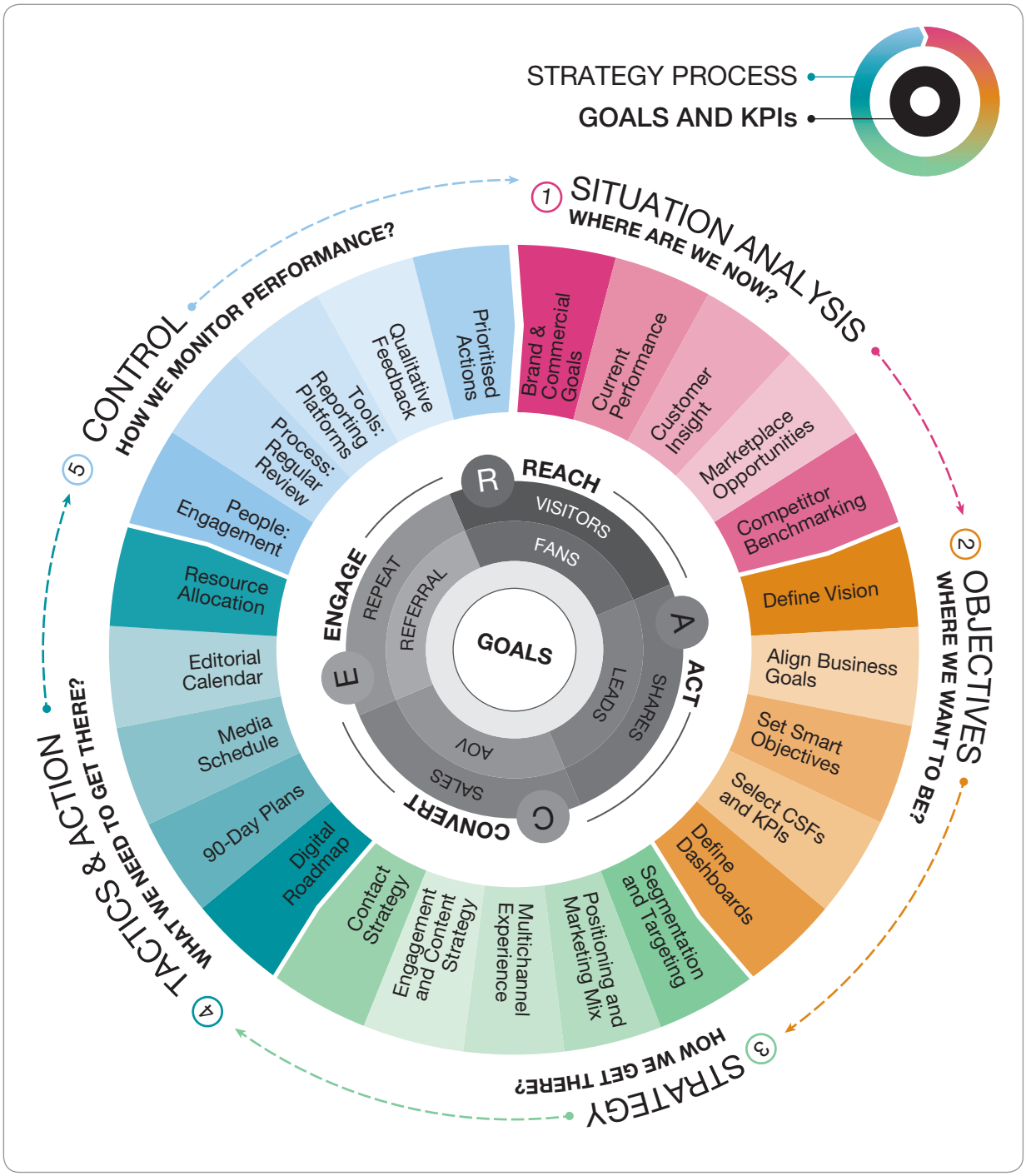
1. Identification of changes to competitive forces in the micro-environment and macro-environment that will influence customer demand for online experiences and products.
2. Developing value propositions for customers using online services as part of their buying process.
3. Definition of the integrated communications to support organisational goals and support via a marketing technology infrastructure and information architecture to deliver these value propositions as a customer experience.
4. Changes to governance of marketing activities affecting the structure, skills and systems or processes in an organisation.

Having a long-term *roadmap* to guide digital transformation activities for 18 months to three years may be needed given the scale of changes to structure, skills and technology. Equally, it is important to consider that digital environments are highly dynamic, and operational plans should aim to promote strategic agility, so shorter-term flexibility needs to be built into the process. Outram (2015) argues for a 90-day planning approach where communications strategy performance is reviewed.

Figure 4.3 shows an overall omnichannel strategy process model created by Dave Chaffey and Dan Bosomworth to summarise activities involved in creating and implementing a digital marketing strategy. The six main process activities are from PR Smith's SOSTAC® Planning framework (explained at **www.prsmith.org**), which stands for Situation, Objectives and Strategy, Tactics, Action and Control. Note that each stage is not discrete; rather there is some overlap during each stage of planning – previous stages may be revisited and refined. SOSTAC® was originally developed as a general marketing strategy model, which didn't consider digital-specific activities. Within each part of the 'wheel', Chaffey and Bosomworth have identified key digital marketing activities that businesses should work on as part of the process of digital transformation. The elements of SOSTAC® planning in the context of how they are described in this text with respect to digital marketing strategy are:

1. *Situation analysis means 'where are we now?'*. Planning activities involved at this stage include performing a digital marketplace SWOT analysis (Figure 4.6), and reviewing the different aspects of the micro-environment (Chapter 2) including customers, competitors and intermediaries. Situation analysis also involves review of the macro-environment (Chapter 3).
2. *Objectives means 'where do we want to be?'*. This can include a vision for digital channels, and also specific numerical objectives for the digital channels such as forecasts of visits, leads and sales based on a conversion model (e.g. Figure 2.6).
3. *Strategy means 'how do we get there?'*. Strategy summarises how to achieve the objectives for the different decision points explained in this chapter, including segmentation, targeting, proposition development, including digital branding and elements of the marketing mix (Chapter 5), and CRM (Chapter 6).
4. *Tactics defines the usage of tactical digital communications tools*. This includes specific details of the marketing mix (Chapter 5), CRM (Chapter 6), experience (Chapter 7) and digital communications (Chapters 8 and 9).
5. *Actions refers to 90-day action plans, change management and project management skills*. We refer to some of the issues of modifications to organisational roles and structures later in this chapter (the 7Ss of Table 4.7).

Figure 4.3 An omnichannel marketing strategy process model and implementation activities



Source: Chaffey (2016)

Prescriptive strategy
The three core areas of strategic analysis, strategic development and strategy implementation are linked together sequentially.

6 *Control* includes digital analytics to assess whether strategic and tactical objectives are achieved and how improvements can be made to enhance results further (Chapter 10).

Arguably, due to the speed of development of digital technologies, there is a need for a more responsive, more agile approach to strategy planning (as discussed at the start of Chapter 3). Rather than a top-down, **prescriptive strategy** development approach, similar

Emergent strategy
Strategic analysis, strategic development and strategy implementation are interrelated and are developed together in a more agile fashion.

to Figures 4.1, 4.2 and 4.3, a more agile, **emergent strategy** approach is required, where strategic analysis, strategic development and strategy implementation are interrelated. In reality, most organisational strategy development and planning processes have elements of prescriptive and emergent strategy reflecting different planning and strategic review timescales. The prescriptive elements are the structured annual or six-monthly budgeting process or a longer-term three-year rolling marketing planning process. But on a shorter timescale, organisations naturally also need an emergent process to enable strategic agility and the ability to respond rapidly to marketplace dynamics through 90-day plans.

We will now look at each of the steps involved in strategy development:

- situation analysis (drawing on our coverage in Chapters 2 and 3);
- goal and objective setting;
- strategy formulation;
- organisational issues of strategy implementation.

Situation analysis

Situation analysis
Collection and review of information about an organisation's internal processes and resources and external marketplace factors in order to inform strategy definition.

The **situation analysis** in classic marketing planning is an audit of current effectiveness of a firm's activities. We reviewed issues to consider in a digital marketing audit in Chapters 2 and 3. The analysis involves a review of internal and external factors (for example, the marketing environment) that have implications for strategy development. More specifically, situation analysis involves:

- Assessment of internal capabilities, resources and processes of the company and a review of its activity in the marketplace. Consideration of the immediate competitive environment (micro-environment) including customer demand and behaviour, competitor activity, marketplace structure and relationships with suppliers and partners. (Micro-environment factors were reviewed in Chapter 2.)
- Performance review of how digital marketing channels' communications are contributing to marketing effectiveness and sales.
- Investigation of the wider environment in which a company operates, including economic development, government regulations, legal issues and taxation, social and ethical issues, e.g. data protection and consumer privacy. (Macro-environment factors were reviewed in Chapter 3.)

Internal audits of digital marketing

An internal audit involves reviewing the current contribution of the digital marketing activities within an organisation. More specifically, this consists of assessing effectiveness, performance measurement and reviewing web analytics. There are different levels to consider:

- **Business effectiveness.** Financial or commercial contribution from digital channels, including online leads, sales and profit and offline-influenced leads and sales, and how well it is supporting business objectives. The relative costs of developing and maintaining digital experiences and communications will also be reviewed as part of a cost–benefit analysis.
- **Marketing effectiveness.** Review leads (qualified enquiries); sales; customer retention, satisfaction and loyalty, including lifetime value; online market (or audience share); brand enhancement; customer service. For large organisations, these measures can be assessed for each of the different markets a company operates in or for product lines produced on the website.
- **Digital marketing effectiveness.** This includes a review of capabilities and evaluation of the contribution from digital media. Specific measures for digital media include the

volume, quality, value and cost (VQVC, explained in more depth later in this chapter) of visits to the website, mobile and social platforms. Evaluation also involves reviewing audience profile and customer satisfaction for digital experiences.

According to Chaffey and Smith (2017), key performance indicators (KPIs) for performance review of an online presence include:

- **unique visitors:** the number of separate, individual visitors to the site;
- **total numbers:** of sessions or visits to the website;
- **repeat visits:** average number of visits per individual;
- **duration:** average length of time visitors spend on the site;
- **conversion rates:** the percentage of visitors converting to subscribers (or becoming customers);
- **attrition rates:** through the online buying process;
- **churn rates:** percentage of subscribers lapsing or unsubscribing.

Digital marketing capability analysis

Dave Chaffey, writing for Smart Insights, has developed a modern stage-model framework for assessing internal digital marketing capabilities in larger organisations (Figure 4.4). This was inspired by the capability maturity models devised by the Carnegie Mellon Software Engineering Institute (**www.sei.cmu.edu**) to help organisations improve their software development practices. Businesses can audit their capabilities to deliver effective marketing by assessing their level of capability on a scale from 1 (lowest capability) to 5 (highest capability) for different facets of capability shown from A to G. They can then discuss and set priorities for improving capabilities as part of digital transformation.

Now complete Activity 4.2, which illustrates the type of analysis needed for a digital marketing situation analysis.

Figure 4.4 A digital marketing capability model

Digital Capability	ONE. Initial	TWO. Managed	THREE. Defined	FOUR. Quantified	FIVE. Optimized
A. Strategic Approach	No strategy	Prioritised marketing activities	Defined vision and strategy	Business-aligned strategy and roadmap	Agile strategic approach
B. Performance Improvement Process	No KPIs	Volume-based KPIs No dashboards	Quality-based KPIs 'Last click' attribution Business dashboards	Value-based KPIs Weighted attribution Ad hoc CRO	Lifetime-value KPIs Continuous CRO
C. Management Buy-in	Limited	Verbal support, but inadequate resourcing	Sponsorship and increased investment	Active championing and appropriate investment	Integral part of strategy development
D. Resourcing and Structure	No specific skills	Core skills centralised or agencies	Centralised hub and spoke Dedicated resources	Decentralisation and reskilling	Balanced blend of marketing skills
E. Data and Infrastructure	Limited / no customer database	Separate data, tools and IT services	Partially integrated systems and data	Integrated CRM systems and 360° data sources	Flexible approach to optimise resources
F. Integrated Customer Communications	Not integrated	Core push activities synchronised	Integrated inbound approach	Integrated, personalised, Paid-Owned-Earned media	Media optimised for ROI and to maximize CLV
G. Integrated Customer Experience	Website not integrated	Desktop and mobile support, not personalised	Partially personalised desktop and mobile experience	Integrated, personalised, web, mobile, email and social media	Full contexual personalised experiences and recommendations
	'Laggard'	'Developing capability'	'Competent average capability'	'Above-sector average capability'	'Market leading capability'

Source: Smart Insights (Marketing Intelligence) Ltd (**http://bit.ly/smartbenchmarking**)

Activity 4.2 Situation analysis for an e-commerce business

Purpose

To consider which elements of a situation analysis could help to avoid digital strategy failures (see Table 4.2).

Activity

1. Imagine you are a newly appointed digital marketing manager and you have been asked to present your views on how the company can improve its use of digital channels. Select an existing company to focus on and give context to this activity.
2. Map out how the company is currently using digital channels.
3. Make recommendations for how the company can increase and expand its use of digital channels.
4. Review the potential failure points in Table 4.2 to ensure that your answer to 3 (above) does not expose the company to the risk of failure.

Customer research

Research into customers should not be restricted to quantitative demand analysis. Varianini and Vaturi (2000) point out that qualitative research about existing customers provides insights that can be used to inform strategy. Research by Doherty and Ellis-Chadwick (2010) suggests that using user profiling to capture the core characteristics of target customers involves more than using demographics: it also includes customer needs, attitudes, experiences and abilities of using digital technologies and the internet. A customer's profile can strongly influence where, when and how they engage with digital channels. See Digital marketing insight 4.2 about consumer profiles and digital targeting options.

Digital marketing insight 4.2 Consumer profiles: segmenting digital audiences

We can break consumers' profile data down into distinct sub-categories: classification variables, character variables and affinity profiles.

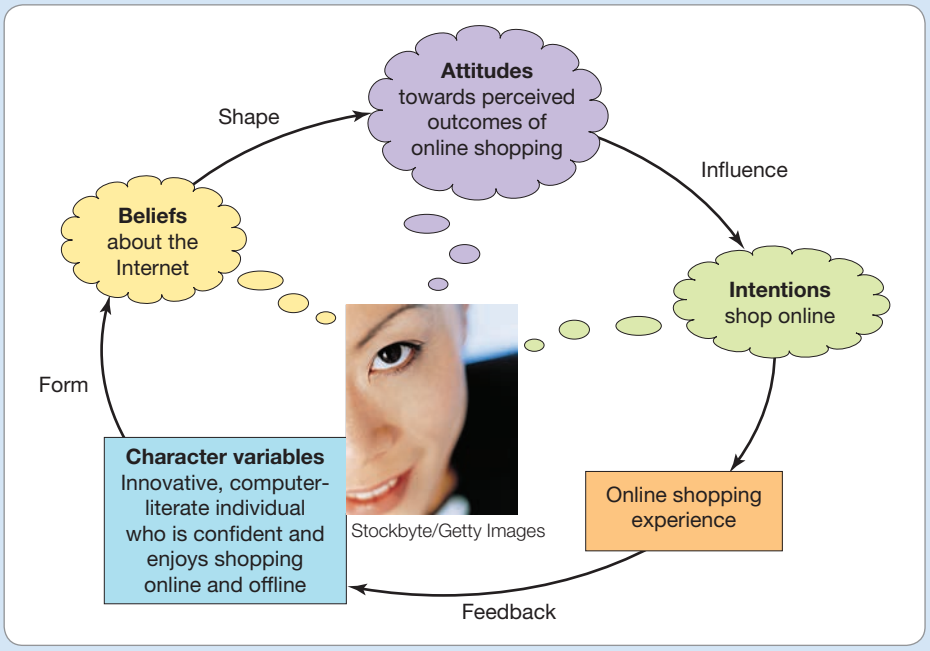
Classification variables are those personal attributes that tend to remain static throughout an individual's lifetime or evolve slowly over time. These variables are particularly useful for marketers as they can help to *identify* particular consumers and target groups. According to Jobber and Ellis-Chadwick (2020), profile segmentation variables can be used to group consumers together in a meaningful way so they can be reached by suitable media communications. See Table 4.3 for a list of classification variables and possible implications for online target marketing.

Character variables are less straightforward to understand and identify for marketing purposes as they comprise any of the attributes of a consumer's perceptions, beliefs and attitudes that might influence online behaviour, e.g. innovativeness, enjoyment, skills and experience, and emotions. Character variables are also more likely than classification variables to develop, change and be significantly modified over time by online shopping experiences. For example, if a consumer has negative beliefs about, say, privacy and security of online transactions, which are due to *lack of computer skills*, these *beliefs* are likely to shape negative *attitudes* towards the internet and reduce the

Table 4.3 Consumer profile: classification variables

Profile variable	Online marketing impact
Age	Since digital platforms such as Facebook, Google and Microsoft ask for date of birth as an identifier when people register, this variable can be used for targeting individuals of a specific age, unlike traditional media platforms
Education and literacy	Influences how digital channels are used, e.g. university students find they are not only useful for shopping but indispensable to support their studies. Targeting also possible in Facebook, Instagram, Pinterest
Employment status	Employment places time constraints on online shopping behaviour, i.e. when and where individuals can access online shopping channels
Gender	Originally, male consumers made more purchases and bought higher-ticket items online than females (Yorgey, 2000). Now there is a greater balance and higher penetration of use across populations
Geography	Location is an important consideration: where people live can affect the potential size of the online market. Geo-targeting is available in all social networks and ad-networks
Household size	Household size has the potential to affect the number of people involved in purchasing decisions and the direction of influence. For example, in relation to online purchasing, teenagers are perceived both as experts within their families and as a stimulator of other family for use of technology (Hurst, 2020; Thomson and Laing, 2003)
Household type	Household type has the potential to affect product and service requirements; major shifts towards single-person households have led to a shift in purchasing patterns and times of purchasing. Working patterns can cause problems if the goods cannot be delivered during working hours, and lead to associated challenges when delivering bulky and perishable goods
Income	Income affects purchasing power and influences whether individuals have access to the internet. Income is positively related to a tendency to shop, both offline and online. Younger shoppers (16–24) tend to spend the least online. Over-25-year-olds are most likely to buy higher-priced items online (Eurostat, 2021)
Mobility	Mobility affects channel access; fewer mobile targets may be encouraged to shop online. This also applies to macro-populations, which are poorly served by public and private transport
Race and ethnicity	Race and ethnicity affects access to technology and economic circumstances. In the US, the number of African Americans with internet access is increasing, but this sector of the population still lags behind Caucasians and Hispanics
Affinity and intent profiling	Although not classic demographic variables, this form of profiling and targeting has become significant online since advertisers can reduce wastage by communicating to people who are interested in a lifestyle, e.g. 'gym members', or they are 'in-market', i.e. actively searching for a product or service, evidenced by their behaviour including the search keywords they use in Google, the groups they like in Facebook or the content of pages they view on publisher sites

Figure 4.5 Character variables, beliefs, attitudes and shopping intentions



Stockbyte/Getty Images

intention to shop online. Conversely, if a consumer *believes* the internet is, say, *easy to use*, they are more likely to have a positive *attitude* towards the idea of online shopping and ultimately have an increased *intention* to shop online. Each stance may be continually reinforced by positive or negative feedback from online shopping experiences. See Figure 4.5 for a model of how character variables interact.

Digital channels also provide good insight on consumer behaviour, such as the content they consume, which can be used to deliver personalised messages on a website and in emails.

Affinity profiling is when customers are grouped according to their interests such as sport, dining out or health and fitness, or whether their interest has grown relative to a baseline, i.e. they are 'in-market'. This approach creates opportunities for online advertisers to use behavioural advertising, such as through intent-based targeting on Facebook based on groups or celebrities the customers 'Like'. Care needs to be taken to avoid challenges posed by this approach to customer selection as privacy, lack of discrimination and need for group protection should be considered. For example, if a digital campaign targets a group of people based around their interest in going to the gym, then race, ethnicity and gender of individuals should also be considered and factored into the campaign content (Wachter, 2020).

Resource analysis

Resource analysis Review of the technological, financial and human resources of an organisation and how they are utilised in business processes.

Resource analysis is related to capability analysis, but should include an assessment of the resources needed to improve capabilities:

- **Financial resources.** The cost components of running always-on activities such as site and content development, media and messaging. Mismatch between current spend and required spend to achieve visibility within the online marketplace should be reviewed against competitors, using tools such as SimilarWeb and Alexa (Table 2.1).

- **Technology infrastructure resources.** Marketing technology and data management including website hosting and platforms, marketing automation systems, analytics and marketing clouds.
- **Data and insight resources.** The quality of data and tools to analyse the performance of digital channels and consumer characteristics and behaviour, including multichannel attribution to decide on the impact and effectiveness of different digital media channels and touchpoints.
- **Human resources.** These include digital marketing skills, both for digital marketing specialists and non-digital roles such as brand, campaign and product managers. Suitability of team structures and workflows can also be reviewed. For all companies there is the challenge of recruiting new staff or re-skilling marketing staff to manage online marketing.

Competitor analysis

In Chapter 2 we showed that competitor analysis, or the monitoring of competitor use of digital marketing and e-commerce to acquire and retain customers, is especially important in the dynamic online marketplace. This enables new services to be launched, media investments to be changed and prices and promotions altered far more rapidly than through print communications. Benchmarking of digital marketing activities such as those summarised in Table 2.1 and Table 2.3 is intended to:

1. review current approaches to digital marketing to identify areas for improvement;
2. benchmark with competitors who are in the same market sector or industry, and in different sectors;
3. identify best practice from more advanced adopters;
4. set targets and develop strategies for improving capabilities.

Intermediary analysis

Situation analysis will also involve identifying relevant intermediaries for a particular marketplace and looking at how the organisation and its competitors are using the intermediaries to build traffic and provide services. We also reviewed the impact of the different types of intermediaries on buyer behaviour in Chapter 2. For example, an online retailer should assess where its target customers might encounter its competitors, or know whether competitors have any strategic, long-term sponsorship arrangements or microsites created with intermediaries. Another aspect to consider is the way in which the marketplace is operating: to what extent are competitors using disintermediation or reintermediation? How are existing channel arrangements being changed? There are now many freemium online services available to companies to help them understand their effectiveness in attracting and retaining new customers, and competitors and intermediaries.

Assessing opportunities and threats

A SWOT analysis is a useful way to summarise the external opportunities and threats and is a core activity for situation analysis for digital marketing. The results of a digital channel-specific SWOT analysis (internal Strengths and Weaknesses and external Opportunities and Threats) should clearly highlight where actions should be taken (both short and longer term). A digital strategy should plan to counter the threats and take advantage of the opportunities. Figure 4.6 shows a generic application of SWOT. The SWOT should

Figure 4.6 A generic digital channel-specific SWOT analysis showing typical opportunities and threats presented by digital media

The organisation	**Stengths – S** 1. Existing brand 2. Existing customer base 3. Existing distribution	**Weaknesses – W** 1. Brand perception 2. Intermediary use 3. Technology/skills 4. Cross-channel support
Opportunities – O 1. Cross-selling 2. New markets 3. New services 4. Alliances/co-branding	**SO strategies** Leverage strengths to maximise opportunities **= Attacking strategy**	**WO strategies** Counter weaknesses through exploiting opportunities **= Build strengths for attacking strategy**
Threats – T 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	**ST strategies** Leverage strengths to minimise threats **= Defensive strategy**	**WT strategies** Counter weaknesses and threats **= Build strengths for defensive strategy**

review the main areas of digital marketing activity: customer acquisition, conversion, retention and growth.

Often, the most rewarding strategies combine strengths and opportunities or counter threats through strengths. Figure 4.7 gives an example of typical digital SWOT analysis for an established multichannel brand.

Setting goals and objectives for digital marketing

Any marketing strategy should be based on clearly defined corporate objectives, and digital marketing should be an integrated element not considered separately from other business and marketing objectives. We emphasised this in Chapter 1 where we recommended setting specific digital-channel goals that impact and align with business strategy. Porter (2001) criticised the lack of goal setting when many organisations have developed internet-related strategies. He noted that many companies, responding to distorted market signals, have used 'rampant experimentation' that is not economically sustainable.

We have found that the terms 'goals' and 'objectives' are often defined and used differently within different companies or parts of a business and this can lead to confusion when creating processes to track and improve marketing performance. Typically, in businesses you see that objectives are specific; they cover the SMART criteria that ensure specific targets for a time period and measure against these using sales or analytics systems. Goals are broader aims that are informed by a vision.

When defining objectives and goals you should use clear definitions. For digital marketing you can define different types of performance targets and measures, as shown in Figure 4.8:

Digital marketing dashboard
A visual summary of KPIs showing the contribution of digital marketing to an organisation's goals. It should show month-on-month and year-on-year performance comparisons, and ideally performance against target for business goals.

1. **Vision.** A high-level statement of how digital marketing will contribute to the organisation.
2. **Goals.** These are the broad aims to show how the business can benefit from digital channels. They describe how your digital marketing will contribute to the business in key areas of growing sales, communicating with your audience and saving money.
3. **Objectives.** Specific SMART objectives to give clear direction and commercial targets. Objectives are the SMART targets for digital marketing, which can be used to track performance against target on a **digital marketing dashboard** (Chapter 10).

Figure 4.7 An example of a digital channel-specific SWOT for an established multichannel brand showing how the elements of SWOT can be related to strategy formulation

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 lifecycle or commitment segmentation (email, web) 3 Partnership strategy (co-branding, linking) 4 Launch new web-based products or value-adding experiences, e.g. video streaming	**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 pureplay company with lower costbase 3 Customer engagement strategy to increase conversion, average order value and lifetime value 4 Online reputation management strategy/E-PR

Figure 4.8 The relationship between vision, goals, objectives and KPIs

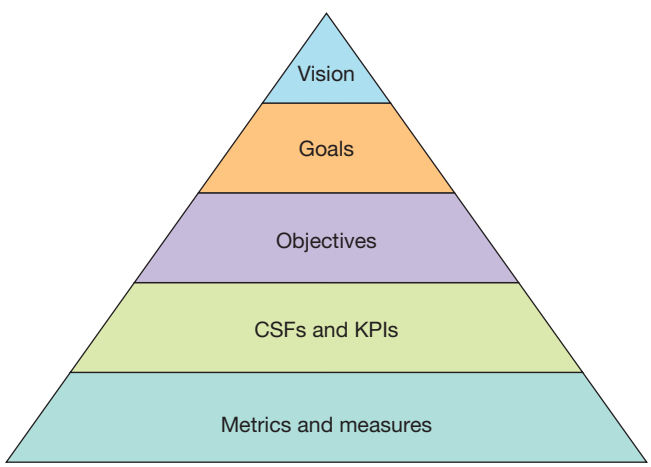


Table 4.4 Tangible and intangible benefits from digital marketing

Tangible benefits	Intangible benefits
Increased sales from new sales leads giving: • New customers, new markets • Existing customers (repeat-selling) • Existing customers (cross-selling) Cost reductions from: • Reduced time in customer service (customer self-service online) • Online sales • Reduced printing and distribution costs of marketing communications	Corporate image enhancements lead to increased revenue from: • Enhanced brand • More rapid, more responsive marketing communications including PR • Improved customer service • Learning for the future • Meeting customer expectations to have a website • Identifying new partners, supporting existing partners better • Better management of marketing information and customer information • Feedback from customers on products

4 **CSFs and KPIs.** Key performance indicators (KPIs) are used to check you are on track. KPIs are specific metrics that are used to track performance to make sure you are on track to meet specific objectives. They are sometimes known as performance drivers or critical success factors (CSFs) for this reason. The examples shown in Table 4.8 are on more detailed parts of a digital marketing dashboard.

5 **Metrics and measures.** Other measures that may be referenced, but aren't typically used in high-level reporting or dashboards.

As a starting point for setting specific objectives, it is useful to think through the benefits of using digital channels and how these can be converted into specific objectives. Also identifying both *tangible benefits* (e.g. monetary savings or revenues), which are fairly straightforward to identify, and *intangible benefits* (e.g. customer service quality), which can be difficult to identify but can be fundamental to the overall customer experience. Table 4.4 presents a summary of typical benefits of digital marketing.

The online revenue contribution

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

A key objective for digital marketing is the **online revenue contribution** since this gives a simple measure of the proportion of online sales achieved in different product categories. This is a measure of the extent to which a company's online presence directly impacts on the sales revenue (or better profit) of the organisation. By understanding this contribution, business planners should be able to determine future resource allocation to online channels. These objectives can be specified for different types of products, customer segments and geographic markets. For example, traditional high-street food-and-fashion retailer Marks and Spencer™ partnered with Ocado in 2020 to boost revenues from online food sales. The move aimed to increase the average online spend of M&S online shoppers to more than £20. A typical Ocado customer spends more than £100 per shop (Eley, 2020). But online fashion retailer ASOS and other online-only fashion businesses continue to eat into M&S's market share in the fashion sector, so M&S may need to consider increasing its investment in resources to boost its online revenue contribution from its fashion ranges as well. (See Case study 4 for further discussion of ASOS.)

Allowable cost-per-acquisition
A target maximum cost for generating leads or new customers profitably.

It is important that companies set sales and revenue goals for online channels for which costs are controlled through an **allowable cost-per-acquisition**. This takes into account the cost of attracting visitors through techniques such as affiliate marketing, paid search advertising or display advertising, as explained in budget models presented in Chapter 8.

For some companies (e.g. FMCG, manufacturer of multiple brands Unilever), it is unrealistic to expect a significant direct online revenue contribution. In this case, an indirect online contribution can be stated. This considers the internet as part of the promotional mix and its role in reaching and influencing a proportion of customers to purchase the product, generating trials or, in the case of a B2B company, leads. A company could set an

Online promotion contribution
An assessment of the proportion of customers (new or retained) who are reached and influenced by online communications.

online promotion contribution or indirect online revenue contribution of 5 per cent of its target market visiting the website or social media presence and interacting with the brand.

Setting SMART objectives

SMART is an easy-to-recall acronym that is used to assess the suitability of objectives. SMART stands for:

- **Specific.** Is the objective sufficiently detailed to measure real-world problems and opportunities?
- **Measurable.** Can a quantitative or qualitative attribute be applied to create a metric?
- **Actionable.** Can the information be used to improve performance? If the objective doesn't change behaviour in staff to help them improve performance, there is little point in it!
- **Relevant.** Can the information be applied to the specific problem faced by the manager?
- **Time-related.** Can the information be constrained by or compared for different time periods?

With SMART objectives, everyone is clearer what the target is and progresses towards it and, if necessary, action can be taken to put the company back on target. For SMART digital marketing objectives for an online presence such as a website or mobile app it is important to measure traffic, value and cost. Applying the VQVC mnemonic is a technique used to test whether businesses are using the right types of goals and measures for their objectives and reporting on digital marketing dashboard. VQVC stands for:

1 Volume measures (of traffic)

Digital analytics systems such as Google Analytics have specific measures for volume:

- **Unique visits.** The number of individuals who visit the site in the specified period.
- **Visits.** The total number of times the site was accessed by different individuals.
- **Page views.** The total number of pages viewed by individuals.

These measures can be used with objectives and to monitor performance against planning models.

2 Quality measures

To understand the effectiveness of the online experience, conversion measures assess the quality of the visitors and their experiences. These measures give an indication of how a visitor has engaged with a site and include:

- **Bounce rate.** Percentage of visitors who leave immediately after viewing only one page. A high bounce rate is a sign of poor-quality traffic and/or experience.
- **Duration.** Dwell time, which is measured as average time on page or time on site.
- **Pages per visit.** Arguably more useful than dwell time since it shows how many pages a visitor views on average. Conversion rates to lead and sale are arguably the most important quality measure since they show what proportion of visits convert to commercial outcomes.

3 Value measures

Value shows the communications effectiveness and commercial contribution of digital marketing to a business. Here we're looking for outcomes that show intent to purchase, or purchase itself. For an e-commerce site this is straightforward – we can look at measures such as sales transactions and average order value. However, it's less obvious for the many non-transactional sites, like B2B sites. Here it's necessary to set up goals customised for the business in Google Analytics for when user actions are completed for qualified leads.

- **Goal value per visit.** If you assign a value to a goal such as a download, you can then compare how different visitor sources contribute value to the site. For example, how does social media marketing compare to email, or is LinkedIn more or less valuable than Twitter? This is very powerful for checking your marketing investments.
- **Revenue per visit.** For sites with e-commerce tracking, Google will report revenue per visit, which enables similar analysis to that of goal value.
- **Page value.** If marketers review this measure for pages, they can determine which pages are prompting the creation of value, enabling the business to improve customer journeys.

4 Cost measures

Cost includes the cost of content and experience creation and promotion – i.e. paid, owned and earned media costs. Cost-per-acquisition is typically used to assess media effectiveness.

Examples of SMART objectives across VQVC, including those to support goal setting in customer acquisition, conversion and retention categories for digital marketing strategy, are:

- **Digital channel contribution objective.** Achieve 10 per cent online revenue (or profit) contribution within two years.
- **Acquisition objective.** Acquire 50,000 new online customers this financial year at an average cost-per-acquisition (CPA) of £30 with an average profitability of £5.
- **Acquisition or conversion objective.** Migrate 40 per cent of existing customers to using online 'paperless' bill payment services within three years (e.g. for a bank or utilities company).
- **Acquisition objective.** Increase by 20 per cent within one year the number of sales arising from a certain target market (e.g. 18–25-year-olds).
- **Conversion objective.** Increase the average order value of online sales to £42 per customer.
- **Conversion objective.** Increase site conversion rate to 3.2 per cent (would be based on model of new and existing customers in different categories).
- **Conversion objective.** Increase percentage of online service enquiries fulfilled online by 'web self-service' from 85 to 90 per cent.
- **Retention objective.** Increase annual repeat new customer conversion rate by 20 per cent.
- **Retention objective** (existing customers). Increase percentage of active users of the service (purchasing or using of other electronic services) within a 180-day period from 20 to 25 per cent.
- **Retention objective.** Increase customer satisfaction rating for channel from 70 to 80 per cent.
- **Growth objective.** Increase new prospects recommended by friends (viral marketing or 'member get member') by 10,000 per annum.
- **Cost objective.** Achieve a cost reduction of 10 per cent in marketing communications within two years.

Frameworks for objective setting

A significant challenge of objective setting for digital marketing is the potential of there being many different measures to consider, so these should be grouped to be meaningful and presented on performance dashboards.

Table 4.5 illustrates specific digital marketing measures within the four main areas of organisational performance managed through the balanced scorecard technique used in larger businesses (e.g. Hasan and Tibbits, 2000). In our presentation we have placed objectives within the areas of **efficiency** ('doing the thing right') and **effectiveness** ('doing the right thing'). For example, *efficiency* involves increasing conversion rates and reducing costs of acquisition. *Effectiveness* involves supporting broader marketing objectives and often indicates the contribution of the online channel.

Efficiency
Minimising resources or time needed to complete a process; 'doing the thing right'.

Effectiveness
Meeting process objectives, delivering the required outputs and outcomes; 'doing the right thing'.

Table 4.5 Example allocation of digital 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-per-acquisition or cost-per-sale (CPA/CPS) Customer propensity	Sales and sales per customer New customers Online market share Customer satisfaction ratings Customer loyalty index
Operational processes	Conversion rates Average order value List size and quality Email active (%)	Fulfilment times Support response times

Leading and lagging performance indicators

When developing goals and measurement systems used to review and improve performance of digital channels, it is also helpful to consider which are leading and lagging indicators of performance. Trends should be identified within these – e.g. are they increasing or decreasing year on year (often used as a good like-for-like comparison) – or compared to the previous week, month or average for a recent period?

Leading performance indicator
A measure that is suggestive of future performance and so can be used to take proactive action to shape future performance.

A **leading performance indicator** is a metric that is suggestive of future performance – think of the amber preceding the green light on traffic lights on a short timescale. The benefit of leading indicators is that they enable managers to be proactive in shaping future performance. There tend to be fewer leading performance indicators, but these can be applied to e-commerce:

- **Shares of searches.** An increase in the proportion of brand searches within a market was shown to be predictive of a future increase in market share (see Digital marketing insight 2.2).
- **Repeat sales metrics.** If repeat conversion rates are falling or the average time between sales (sales latency) is falling, then these are warning signs of future declining sales volume for which proactive action can be taken, e.g. through a customer email marketing programme.
- **Customer satisfaction or advocacy ratings such as the Net Promoter Score.** If these are trending downwards or return rates are increasing, this may be a sign of a future decline in repeat sales since more customers are dissatisfied.
- **Sales trends compared to market audience trends.** If, for example, online sales are increasing at a lower rate than overall online audiences for a product category are indicated, e.g. through panel data, Connexity or searches in particular categories, then this is a warning sign that needs to be acted upon.

Lagging performance indicator
A measure that indicates past performance. Corrective action can then be applied to improve performance.

A **lagging performance indicator** is one where the measure indicates past performance. Lagging indicators enable corrective action to be taken. Some also identify a coincident performance indicator, which is more suggestive of current performance. Lagging performance indicators for a transactional retail site include:

- **Sales volume, revenue and profitability.** These are typically compared against target or previous periods.
- **Cost-per-acquisition (CPA).** The cost of gaining each new customer will also be compared against target. Variations in trends in CPA for different referrers (traffic sources) and between different product categories can potentially be used as leading indicators.

- **Conversion efficiency metrics.** For an e-commerce site these include process efficiency metrics such as conversion rate, average order and landing page bounce rates.

These lagging indicators are used operationally on a daily or weekly basis so that performance can be diagnosed and reviewed.

Strategy formulation for digital marketing

Strategy formulation
Generation, review and selection of strategies to achieve strategic objectives.

Strategy formulation involves the identification of alternative strategies, a review of the merits of each of these options and then selecting the strategy that has the best fit with a company's trading environment, its internal resources and capabilities. Companies should be realistic about what their strategies can achieve and base digital strategies on sound logic and analysis.

Strategies are agreed to be most effective when they support specific business objectives (e.g. increasing the online contribution to revenue, or increasing the number of online sales enquiries). A useful technique to help align strategies and objectives is to present them together in a table, along with the insight developed from situation analysis that may have informed the strategy. Table 4.6 shows how objectives, strategies and performance indicators can be mapped to produce this logical and connected flow of activity.

Here different digital marketing communications techniques are grouped according to whether they support customer acquisition, conversion or retention.

The key decisions for digital marketing are the same as strategic decisions for traditional marketing. They involve selecting target customer groups and specifying how to deliver value to these groups. Segmentation, targeting, differentiation and positioning are all key to effective digital marketing.

The main thrust of digital marketing strategy development is taking the right decisions on the selective targeting of customer groups and different forms of value delivery for online channels. Digital marketing strategy is a channel marketing strategy and should:

- be based on objectives for online contribution of leads and sales for this channel;
- support the customer journey as they select and purchase products using this channel in combination with other channels;
- define a unique, differential proposition for the channel based on the quality of content and experience;
- specify how this proposition is communicated to persuade customers to use online services in conjunction with other channels;
- manage the online customer lifecycle through the stages of attracting visitors to the website, converting them to customers, and retention and growth;
- be consistent with the types of customers that use and can be effectively reached through the digital communications channels and targeted using **online tactical marketing segmentation**.

Online tactical marketing segmentation
Tactical segmentation enables targeting based on customer journey behaviour such as search behaviour, content accessed and contribution to social media.

Furthermore, digital marketing strategy development involves reappraising a company's approach to strategy based on familiar elements of marketing strategy plus assessing the relevance of new digital business and revenue models. We believe there are eight important decisions to consider. The first four are concerned with fundamental questions of how an organisation delivers value to customers online and which products are offered to which markets online. The next four are more concerned with the mix of marketing communications used to communicate with customers across multiple channels, with the final decision referring to organisation and governance.

Table 4.6 An example of the relationship between objectives, strategies and performance indicators

Objectives	Substantiation (informed by situation analysis or insight)	Strategies to achieve goals	Key performance indicators (critical success factors)
1 Acquisition objective Acquire 50,000 new online customers (based on current sales) this financial year at an average cost-per-acquisition (CPA) of £30 with an average profitability of 5%	Based on growth forecast 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 Use social media engagement to generate leads	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 % of existing customers registering to use online service Number and % 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 estimate 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 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 messaging improvement of landing pages Refinement to quality of traffic purchased through pay-per-click programme	Variations in conversion rates for new and existing customers in different product categories
5 Retention objective Increase annual repeat new customer conversion rate by 20%	Business case based on limited personalisation of offers to encourage repeat purchases via email	Delivery of personalised product offers by email 5% second purchase discount voucher	Increased conversion rate of retention email contact programme Conversion to sale for second purchase discount campaigns
6 Growth objective Increase new prospects recommended by friends (viral marketing or 'member get member') by 10,000 per annum	Model based on encouraging 2% of customers to recommend friends annually (based on trial scheme)	Supported by direct mail and email recommendation programme	Response rate to direct mail campaign

Decision 1: Market and product development strategies

Ansoff's (1957) strategic marketing grid can be applied for a simple review of market and product development using an adapted form of the matrix shown in Figure 4.9. This summarises how the internet and digital channels can potentially be used to achieve four strategic directions:

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

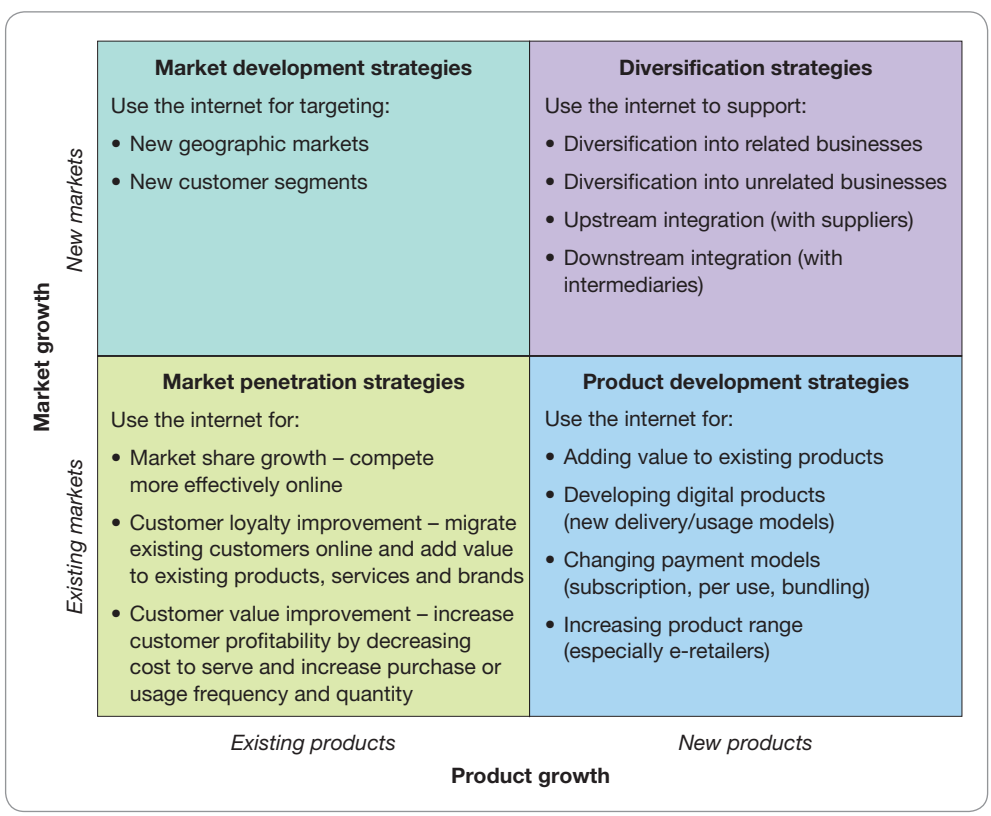
Let us now review these strategic options in more detail.

1 Market penetration

This involves using digital channels to sell more existing products into existing markets. Digital channels have great potential for achieving sales growth or maintaining sales through the market penetration strategy. As a starting point, many companies will use digital marketing communications to help sell existing products into existing markets, although they may miss opportunities indicated by the strategies in other parts of the matrix. Figure 4.9 indicates some of the main market penetration techniques:

- **Market share growth.** Companies can compete more effectively online if they have websites that are efficient at converting visitors to sales (as explained in Chapter 7) and mastery

Figure 4.9 Using digital channels to support different organisational growth strategies



of the 'always-on' online marketing communications techniques (reviewed in Chapter 8), such as search engine marketing, social media marketing and online advertising.

- **Customer loyalty improvement.** Companies can increase their value to customers and so increase loyalty by migrating existing customers online, and by adding value to existing products, services and brands by developing their online value proposition (see Decision 4 and Chapter 6).
- **Customer value improvement.** The value delivered by customers to the company can be increased by increasing customer profitability through decreasing cost to serve (and so price to customers) and at the same time increasing purchase or usage frequency and quantity, for example using the marketing automation and personalisation techniques (described in Chapter 6). Many companies will offer competitive online prices or discounts to help increase their market share. Approaches to specifying online pricing are covered in Chapter 5.

2 Market development

Online channels are used to sell into new markets, taking advantage of the relatively low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customer's country. Online channels have helped low-cost airlines such as easyJet and Ryanair to cost-effectively enter new markets served by their routes. This is a relatively conservative use of digital channels, but is a great opportunity for SMEs to increase exports at a low cost, though it does require overcoming the barriers to exporting. We saw in Chapter 1 how Zalando, a Germany-based fashion retailer, has entered many European markets using techniques such as search engine marketing, display advertising and social media marketing to create awareness and demand for services. New entrants that gain market share using new **digital disruption** techniques of innovative business or revenue models are sometimes referred to as 'digital disruptors'.

Digital disruption
Innovations in digital media, data and marketing technology that enable a change to a new basis for competition in a market or across markets.

Digital disruption involves new entrants to a market and agile existing businesses deploying new business models and revenue models based on digital media, data and technology. The best-known examples of disruptors are Amazon (retail), Airbnb (accommodation), Tripadvisor (travel), Uber and Deliveroo™ (personal transportation and food delivery) and Zoom (video communications).

Innovation from the main digital platforms that consumers use to interact and select products, such as Apple, Amazon, Google, Facebook, Instagram, Twitter and Pinterest, also provide options for disruption. For example, Amazon (Machine Learning at Amazon Web Services) and Google (Google Cloud Machine Learning at Scale) have launched low-cost artificial intelligence solutions that can be deployed by businesses across sectors to achieve digital disruption. Another example of digital disruption is in the home, where technology is rapidly changing how we live with smart home technology products giving us more instant and flexible control over heating, lighting and entertainment, e.g. Amazon Echo, Google Home and Nest, smart plugs and remote-access security cameras.

Existing products can also be sold to new market segments or different types of customers. Virtual inventory enables new offerings to be made available to smaller segment sizes, an approach known as micro-targeting. This may happen simply as a by-product of having a website – e.g. RS Components (**https://uk.rs-online.com**), a supplier of a range of MRO (maintenance, repair and operations) items, found that 10 per cent of the web-based sales were to individual consumers rather than its traditional business customers. easyJet also has a section of its website to serve business customers. Digital channels may offer further opportunities for selling to market sub-segments that have not been previously targeted. For example, a product sold to large businesses may also appeal to SMEs that have previously been unable to serve because of the cost of sales via a specialist sales force.

3 Product development

The web can be used to add value to or extend existing products for many companies. For example, many car manufacturers have developed vehicle configurators to give customers more choice or developed mobile apps, for example for service information or charging

electric cars. Similarly, music and book publishing companies have found new ways to deliver products through new development and usage models such as subscription and pay-per-use. Retailers can extend their product range and provide new bundling or subscription options online also.

Truly new products or services often offer a combination of physical and digital elements. For example, the Fitbit, a wearable fitness tracker with GPS, which monitors human activity and performance in a range of settings from running to sleeping, provides personal information digitally through a mobile app. When developing new products, it is important to consider the time it takes from concept to market testing of the new product. Pure, digital innovations, such as Instagram, can experience short development timelines and rapid adoption. But as Waymo has found, introducing a driverless car takes many years, as it is not just the creation of the time taken to develop the product but also for the product concept to be accepted by early adopters (McGee, 2021).

4 Diversification

In this sector, new products are developed that are sold into new markets. The internet alone cannot facilitate these high-risk business strategies, but it can facilitate them at lower costs than have previously been possible. The options include:

- **Diversification into related businesses.** A low-cost airline can use the website and customer emails to promote travel-related services such as hotel booking, car rental or travel insurance at relatively low costs either through its own brand or through partner companies – e.g. Ryanair offers its customers discounts if they book car hire or accommodation.
- **Diversification into unrelated businesses.** Again, the website can be used to promote or deliver less-related products to customers, which is the approach used by the Virgin brand, for example, which moved from travel services to unrelated services such as Virgin Media and Virgin Money.
- **Upstream integration with suppliers.** This is achieved through data exchange between a manufacturer or retailer and its suppliers to enable a company to take more control of the supply chain (e.g. the ASOS marketplace (**https://marketplace.asos.com**) enables the retailer to offer products from independent retail brands and boutiques).
- **Downstream integration with intermediaries.** Again, this is achieved through data exchange with distributors such as online intermediaries. **OnTheMarket.com** is an intermediary service that links house buyers and those wishing to rent with property agents. The property agents provide the full services while **OnTheMarket.com** acts as a portal for customers to browse before contacting agents directly.

Decision 2: Business and revenue models strategies

Business model
A summary of how a company will generate revenue, identifying its product offering, value-added services, revenue sources and target customers.

Skunkworks
A loosely structured group of people who research and develop innovative opportunities and business benefits.

Revenue models
Describe methods for generating income for an organisation.

Strategy formulation often requires companies to evaluate new models, since to survive in the digital age means companies need to constantly innovate in order to defend market share from competitors and new entrants. Companies at the leading edge of technology such as Facebook and Google constantly innovate through acquiring other companies and internal research and development. Case study 4 on ASOS at the end of this chapter also highlights innovation in the ASOS **business model** facilitated through online channels.

This approach to supporting strategic agility through ongoing research and development is sometimes known as a **Skunkworks** or, more commonly, a digital lab, or a digital innovation centre in larger businesses.

Another method of developing new approaches is to encourage other companies in your sector; this was an approach taken by John Lewis™ with the JLab (**www.jlab.co.uk**).

While all digital strategies should consider all of the available options (including to do nothing), we note that companies can make less-radical changes to their **revenue models** through the internet that are less far-reaching, but may nevertheless be worthwhile. For example:

- Transactional e-commerce sites (e.g. **Amazon.com** and **Lastminute.com**) can sell advertising space or run co-branded promotions on site or through their email newsletters or lists to sell access to their audience to third parties.
- Retailers or media owners can sell on white-labelled services through their online presence such as ISP, email services or photo-sharing services.
- Companies can gain commission through selling products that are complementary (but not competitive to their own); e.g. a publisher can sell its books through an affiliate arrangement with an e-retailer.

Decision 3: Target marketing strategy

Target marketing strategy
Evaluation and selection of appropriate market segments and the development of appropriate offers.

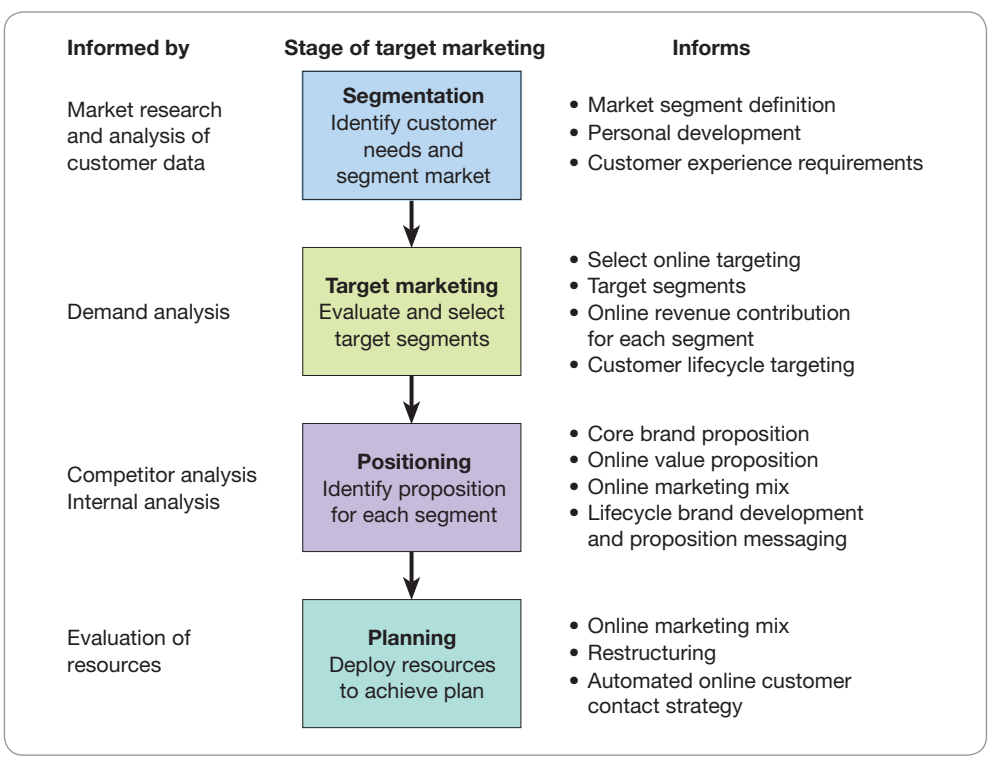
Strategic market segmentation
A grouping of customer types defined by their value to a business, and common characteristics, needs or psychographic profiles.

Deciding on which markets to target is a key strategic consideration when planning a digital marketing strategy. **Target marketing strategy** involves the four stages shown in Figure 4.10. The two key decisions for the marketing strategist are:

- **Segmentation/targeting strategy.** A company's online customers will often have different demographic characteristics, needs and behaviours from its offline customers. It follows that different online approaches to **strategic market segmentation** may be an opportunity, and specific segments may need to be selectively targeted through online media channels, the company website or email communications. As we will see, personal development and lifecycle targeting are common approaches for online targeting.
- **Positioning/differentiation strategy.** Competitors' product and service offerings will often differ in the online environment. Developing an appropriate online value proposition is an important aspect of this strategy.

The first stage in Figure 4.10 is *segmentation*. Segmentation is a management technique that allows businesses to focus their efforts on the customers they can serve best. When

Figure 4.10 Stages in target marketing strategy development



creating digital marketing plans it is useful to distinguish between strategic market segmentation and online tactical segmentation, which is used for online targeting.

Strategic market segmentation can be defined as (Jobber and Ellis-Chadwick, 2020):

> the identification of individuals or organisations with similar characteristics that have significant implications for determining marketing strategy.

In a digital marketing planning context, market segments should be reviewed to assess:

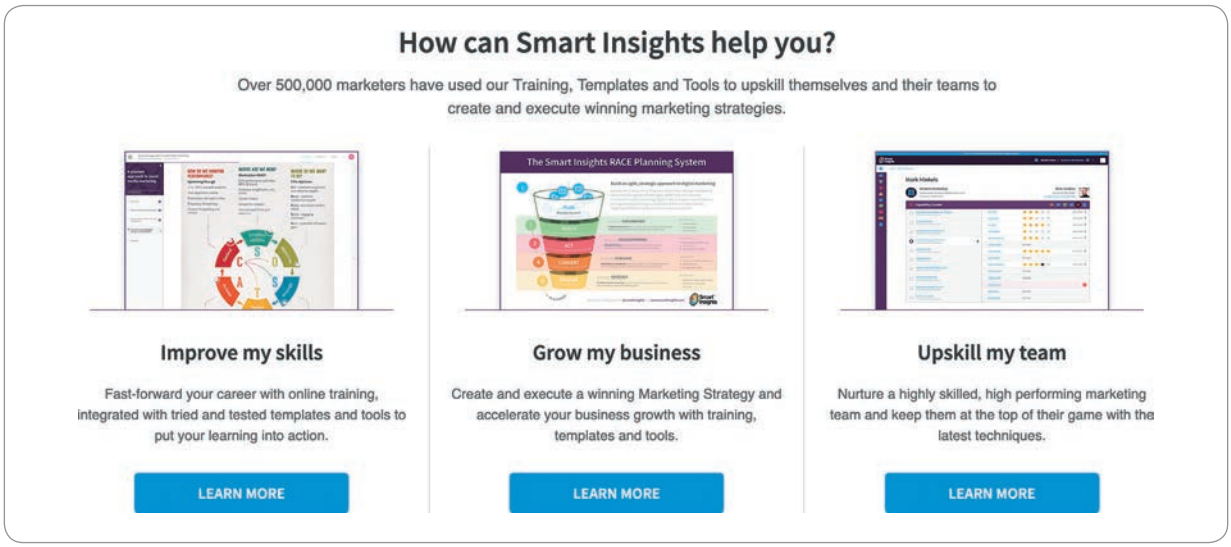
- the current market size or value and future projections of size;
- the organisation's current and future market share within the segment;
- the cost-effectiveness and likelihood of a target segment engaging with the organisation's offer across all aspects of the buying process – for example, whether it is cost-effective to generate demand for leads and sales, use organic media based on content marketing or paid media such as programmatic display, pay-per-click advertising (Google Ads), paid social ads or affiliate marketing;
- needs of each segment, in particular unmet needs;
- competitor market shares within the segment;
- organisation and competitor offers and propositions;
- usage of the site and conversion to action through web analytics.

Options for segmenting online customers by activity levels, which is an online tactical marketing segmentation approach, are covered in more detail in Chapter 6 and segmenting site visitors through web analytics systems is covered in Chapter 10.

Stage 2 in Figure 4.10 is target marketing. Here we can select segments for targeting online that are most attractive in terms of growth and profitability. These may be similar or different compared to groups targeted offline. Some examples of customer segments that are targeted online include:

- **The most profitable customers.** Using the internet to provide tailored offers to the top 20 per cent of customers by profit may result in more repeat business and cross-sales.
- **Larger companies (B2B).** An extranet could be produced to service these customers and increase their loyalty.
- **Smaller companies (B2B).** Large companies are traditionally serviced through sales representatives and account managers, but smaller companies may not warrant the expense of account managers. However, the internet can be used to reach smaller companies more cost-effectively. The number of smaller companies that can be reached in this way may be significant, so although the individual revenue of each one is relatively small, the collective revenue achieved through internet servicing can be large.
- **Particular members of the buying unit (B2B).** The site should provide detailed information for different interests that supports the buying decision, e.g. technical documentation for users of products, information on savings from e-procurement for information systems or purchasing managers, and information to establish the credibility of the company for decision makers.
- **Customers that are difficult to reach using other media.** Customer profiles give insights into likely use of digital media channels, and can help companies struggling to reach younger customers. Meeting customers where they are and on the channels they use is an important consideration. Chipotle, a Mexican-style restaurant chain in the United States, decided to encourage its customers to celebrate National Avocado day using TikTok. The campaign involved the hashtag #GuacDance and entering a free competition by uploading a video to TikTok. This was the first time the restaurant had used this channel but it was a highly effective campaign, which attracted hundreds of millions of views (Engel, 2019).
- **Customers that are brand loyal.** Services to appeal to brand loyalists can be provided to support them in their role as advocates of a brand.
- **Customers that are not brand loyal.** Conversely, incentives, promotion and a good level of service quality could be provided by the website to try to retain such customers.

Figure 4.11 Smart Insights site segmentation



Source: Smart Insights (Marketing Intelligence) Ltd

Priority segments can be targeted online by using navigation options to different content groupings such that visitors *self-identify*. For example, like many businesses, the main navigation option for computer manufacturer Dell is product based (e.g. laptops vs gaming), but to engage business audiences the 'Solutions' menus offer choices for industries such as healthcare or higher education, or for small businesses. As a B2B online marketing training provider, Smart Insights similarly uses a segmented navigation to appeal to different business sectors. It also uses calls-to-action on its home page that enable it to appeal to different target groups. Figure 4.11 shows a 'segmented customer journey', which gives three choices, with the next page tailored for each audience that self-segments based on their needs. This segmented approach helps to increase relevance and so conversion, but also gives insights from analytics on how many share an interest. Here, the business has shared with us that the relative proportion of clicks on buttons is 40 per cent 'Improve my skills' (mainly individuals), 40 per cent 'Grow my business' (mainly leaders in companies) and 20 per cent 'Upskill my team' (team leaders in companies with a training need).

As part of digital strategy development, we recommend reviewing these options for segmenting and targeting audiences online:

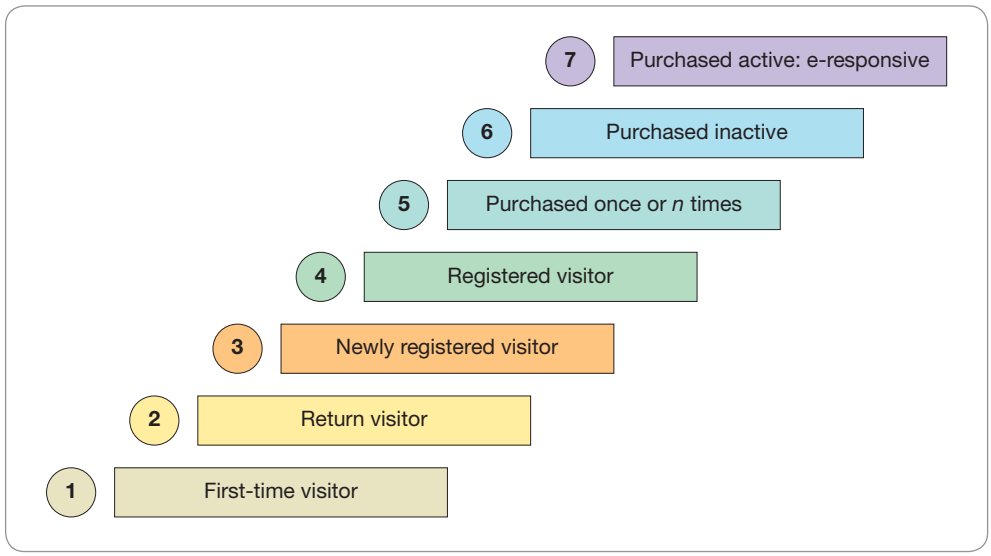
1 Identify customer profile-based demographic characteristics

This is a traditional segmentation based on the disclosed or inferred customer demographics. For B2C companies this will include age, sex and geography. For B2B companies, it will include size of company and the industry sector or application they operate in.

2 Identify customer lifecycle groups

Figure 4.12 illustrates this approach. As visitors use online services they can potentially pass through seven or more stages. Once companies have defined these groups and set up the customer relationship management infrastructure to categorise customers in this way, they can then deliver targeted messages, either by personalised on-site messaging or through emails that are triggered automatically by different rules. First-time visitors can be identified by whether they have a cookie placed on their digital device or other 'digital fingerprints' related to mobile or social media use. Once visitors have registered, they can be tracked through the remaining stages. A particularly important group is those customers who have purchased one or more times. For many e-retailers, encouraging customers to move from the first purchase to the second purchase and then on to the third purchase is a key challenge. Specific promotions can be used to encourage further purchases. Similarly, once customers

Figure 4.12 Customer lifecycle segmentation



become inactive (i.e. they have not purchased for a defined period such as three months) further follow-ups are required.

3 Identify behaviour in response and purchase value

As customers progress through the lifecycle shown in Figure 4.12, database analysis can be used by the marketer to build up a detailed response and purchase history, which considers the details of recency, frequency, monetary value and category of products purchased. Grouping customers by their current and future value and techniques can be used to develop strategies to retain valuable customers and migrate lower-value customers to a higher value in future (see Chapter 6).

4 Identify multichannel behaviour (channel preference)

Regardless of the enthusiasm of the company for online channels, some customers will prefer using online channels and others will prefer traditional channels. Drawing a channel chain for different customers is useful to help understand this. It is also useful to have a flag within the database that indicates the customer's channel preference and, by implication, the best channel to target them through. Customers who prefer online channels can be targeted mainly by online communications such as email, while those who prefer traditional channels can be targeted by traditional communications such as direct mail or phone.

5 Tone and style preference

In a similar manner to channel preference, customers will respond differently to different types of messages. Some may like a more rational appeal, in which case a detailed email explaining the benefits of the offer may work best. Others will prefer an emotional appeal based on images and with warmer, less formal copy. Testing is needed based on customers' profile characteristics and response behaviour, and then developing different creative treatments accordingly.

Decision 4: Positioning and differentiation strategy (including the marketing mix)

Stage 3 in Figure 4.10 is positioning. Ultimately, positioning defines how a company wants to compete and this is determined by the chosen market segmentation, the actual target market and the differential advantage offered by the product or service (Jobber and

Ellis-Chadwick, 2020). The key to this stage of decision making is to focus on the minds of customers in the chosen target markets (Ries, 2017). In their minds, most consumers either have a brand attached to a product category or they do not; maybe because it is an underdeveloped category (e.g. the electric car) or they have yet to exercise a preference. In the case of the new category, there is opportunity for a brand to take first-mover advantage (Yang *et al.*, 2017), as Tesla™ has done in the electric car market. Either way, to make a connection with a prospect's mind, it is better to promote a small feature of a brand that is known to the prospect rather than a major feature that is unknown (Ries, 2017). By taking this approach, it becomes possible to connect with the target prospect and establish the foundations of a differential market positioning, and then build from this point.

Differential advantage

Differential advantage
A desirable attribute of a product offering that is not currently matched by competitor offerings.

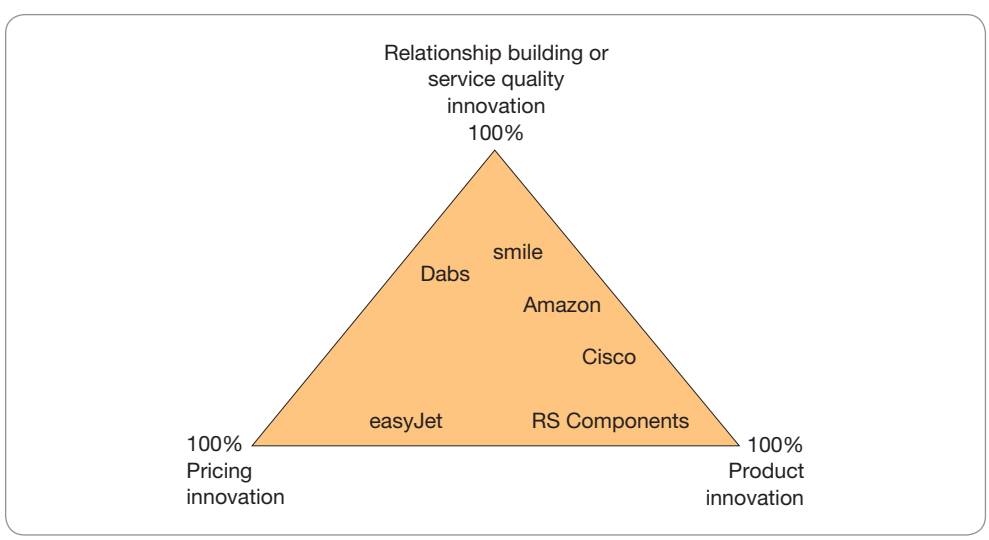
The aim of positioning is to develop a **differential advantage** over competitors. Jobber and Ellis-Chadwick (2020) suggest that market segmentation is at the heart of developing a differential marketing strategy. Marketing strategists use elements from the marketing mix to establish the difference between their company and their rivals'. According to Wang *et al.* (2019) the use of pricing to differentiate a brand is dependent on many different factors:

- the uniqueness of the goods in a particular market;
- competition for the goods;
- perceptions of quality;
- effectiveness and reliability of a brand's offer.

Online the same principles apply, but in a highly complex and dynamic marketplace. Key decisions are about how to enter the mind of the prospective customer, which is the position where the brand wishes to be (as shown in Figure 4.13).

To make use of this pricing power, retailers vary the goods they sell at a particular price level, the convenience of the offer, and a blend between physical product and online service. Initially, many online retailers relied on lower prices online to draw in customers but this is no longer the case. However, some retailers are better at improving their market competitiveness by increasing their differentiated position than others. Amazon has used price combined with attention to customer experience, service and delivery efficiency to build brand dominance.

Figure 4.13 Alternative positionings for online services



Online or digital value proposition

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

In a digital marketing context, differential advantage and positioning can be clarified and communicated by developing an **online value proposition (OVP)**. Developing an OVP involves:

- developing online content and service and explaining them through messages that:
  - reinforce core brand proposition and credibility;
  - communicate what a visitor can get from an online brand that they can't get from the brand offline and they can't get from competitors or intermediaries.
- communicating these messages to all appropriate online and offline customers with touchpoints in different levels of detail, from straplines to more detailed content on the website or in print.

Communicating the OVP on the site can help create a customer-centric website. Virgin Wines™ used an OVP to communicate its service promise as follows:

- And what if. . . *You are out during the day*? We promise that our drivers will find a safe place to leave your wine; but if it does get stolen, we just replace it.
- *You find it cheaper elsewhere*? We will refund the difference if you are lucky enough to find a wine cheaper elsewhere.
- *You live somewhere obscure*? We deliver anywhere in the UK, including Northern Ireland, the Highlands and Islands and the Scilly Isles for £5.99.
- *You are in a hurry*? We deliver within seven days, or your delivery is free.

Many strategic planning decisions are based around the OVP and the quality of online customer experience delivered by a company. Interactive features can be particularly important for transactional sites in that they may enhance the user's experience and so encourage conversion and repeat sales. Examples of how companies have developed their OVP through interactive features include customer reviews and ratings, podcast product reviews, a blog with customer comments enabled, buyers' guides and video reviews (see Activity 4.3 for examples).

Having a clear online value proposition has several benefits:

- It helps distinguish an e-commerce site from its competitors (this should be a website design objective).
- It helps provide a focus on marketing efforts so that company staff are clear about the purpose of website or mobile app services.
- If the proposition is clear, it can be used for PR, and word-of-mouth recommendations may be made about the company.
- It can be linked to the normal product propositions of a company or its product.

We look further into options for varying the proposition and marketing mix in Chapter 5.

Activity 4.3 Online value proposition

Purpose

To explore the concept of online value proposition.

Activity

Visit the following websites and summarise their online value proposition. You should also explain how they use the content, imagery and navigation of the website to indicate their value proposition to customers:

- Shopify (**www.shopify.com**);

- Airbnb (www.airbnb.com);
- Netflix (www.netflix.com);
- HubSpot (www.hubspot.com);
- RS Components DesignSpark (rs-online.com/designspark/).

Multichannel prioritisation
Assesses the strategic significance of the internet relative to other communications channels and then deploys resources to integrate with marketing channels.

Customer communications channels
The range of media used to communicate directly with a customer.

Customer engagement strategy
A strategy to encourage interaction and participation of consumers with a brand through developing content and experiences with the aim of meeting commercial objectives. It is closely related to the development of content marketing and social media strategy.

Social media strategy
A definition of the marketing communications used to achieve interaction and amplification with social network users to meet business goals. The scope of social media optimisation also includes paid social media, customer service and incorporation of social features such as status updates and sharing widgets into company websites.

Decisions 5 and 6 relate to **multichannel prioritisation**, which assesses the strategic significance of the internet relative to other communications channels. In making this prioritisation it is helpful to distinguish between **customer communications channels** and distribution channels.

Decision 5: Customer engagement and social media strategy

Each day there are millions of social network status updates, new blog posts, videos and news articles published. As consumers spend more time online reading and interacting with this content, the challenge of engaging them increases. Given this, we believe that every company must develop a **customer engagement strategy** as a key part of its digital marketing strategy. This customer engagement strategy reviews approaches to create compelling content and experiences that form the online value proposition.

Increasingly, it's most straightforward to achieve online engagement not on a company website but through a social presence on one of the main social networks such as Facebook, Instagram, LinkedIn, Twitter or other specialist networks. Given the popularity of these social networks, many companies will seek to develop an overall **social media strategy**.

When developing an approach for using each social network to build engagement and community, there are some common decisions across the networks that focus on the types of content and how it is published. The answers for each social network will vary, but there are some common themes that should be part of an overall engagement and content marketing strategy. Here are some key questions to consider:

- *Question 1. Who are our target audience?* For a single company, the typical audience of each social network will differ in terms of demographics. If you review a sample of profiles for your own followers or competitors, you will get a feel for the typical audience and can develop the typical customer personas you are targeting.
- *Question 2. What are the content preferences of our audiences?* The type of content that audiences like to see on each network is shown by the content they share or rate highly. For example, on Facebook it may be that videos work well, on Twitter infographics and on LinkedIn posting a provocative statement.
- *Question 3. Which content types should have priority?* Based on your analysis of customer needs and competitor benchmarking, you can define the types of editorial topics and post formats that are most engaging or shareable when covered in your content stream.
- *Question 4. How do we differentiate the social channel from other communications channels?* Each network will differ and have different preferences for types of content that fit the channel. If you can define a powerful offer for the social channel, it will encourage people to subscribe to that channel even if they are already using other channels. For example, Gymshark, a retailer of fitness apparel, has millions of followers using its Instagram channels. The brand's understanding of the power of social media as a channel to market has led to sustained growth of the brand (Gilliland, 2019).
- *Question 5. Should we consider content frequency and an editorial calendar?* To engage an audience requires regular content, but what does regular mean? Will there be several status updates a day or only several updates a week? How do these link to other content,

such as that on a blog? There will be many different types of content, some will be quick to create, others will take much longer and need planning or resourcing; this is where an editorial calendar is essential. An editorial calendar for social media or a blog is part of a broader content marketing strategy (Chapter 6).

- *Question 6. How do we manage publication and interaction?* Each social platform needs someone to update the content, but also to respond and interact on other social networks. A decision has to be taken as to whether this happens in-house or whether some of it can be outsourced to a third party.
- *Question 7. Should we use software for managing the publishing process?* Software can't create content for you, but it can streamline the process. Tools such as Hootsuite™, Falcon or Sprout Social™ enable status updates to be shared across different networks. For example, status updates can be shared across Facebook, LinkedIn or Twitter. However, a personalised approach is recommended also.
- *Question 8. Should we be tracking the business impact of social network activity?* Tools are available from each of the platforms to help marketers review their effectiveness. For example, Facebook Insights is a service available to page owners on Facebook. There are also analytics features within tools such as Hootsuite showing which messages were popular based on sharing and click-through rates.
- *Question 9. How do we optimise the social presence?* Tracking isn't worthwhile unless it is reviewed and acted upon. The insights available will enable you to test, learn and refine marketing activities. This is known as **social media optimisation (SMO)**. We return to social media strategy at the start of Chapter 6.

Social media optimisation (SMO)
A process to review and improve the effectiveness of social media marketing through reviewing approaches to enhance content and communications quality to generate more business value.

Decision 6: Multichannel distribution strategy

Distribution channels
The mechanism by which products are directed to customers, either through intermediaries or directly.

Distribution channels refer to the flow of products from a manufacturer or service provider to the end customer. At the centre of any distribution channel are the movement of goods and the flow of information between different organisations involved in moving goods from the point of manufacture and the point of consumption. Depending on the *players* that make up the supply chain, its structure can vary and this structure will determine whether goods get to the right place at the right time. Players in a supply chain can include retailers, suppliers, intermediaries, third-party logistic solution providers and transportation companies that provide relevant services (e.g. warehousing and distribution management for their clients).

In order to make best use of digital channels, according to Fulgoni (2014), there are three priorities for retail businesses:

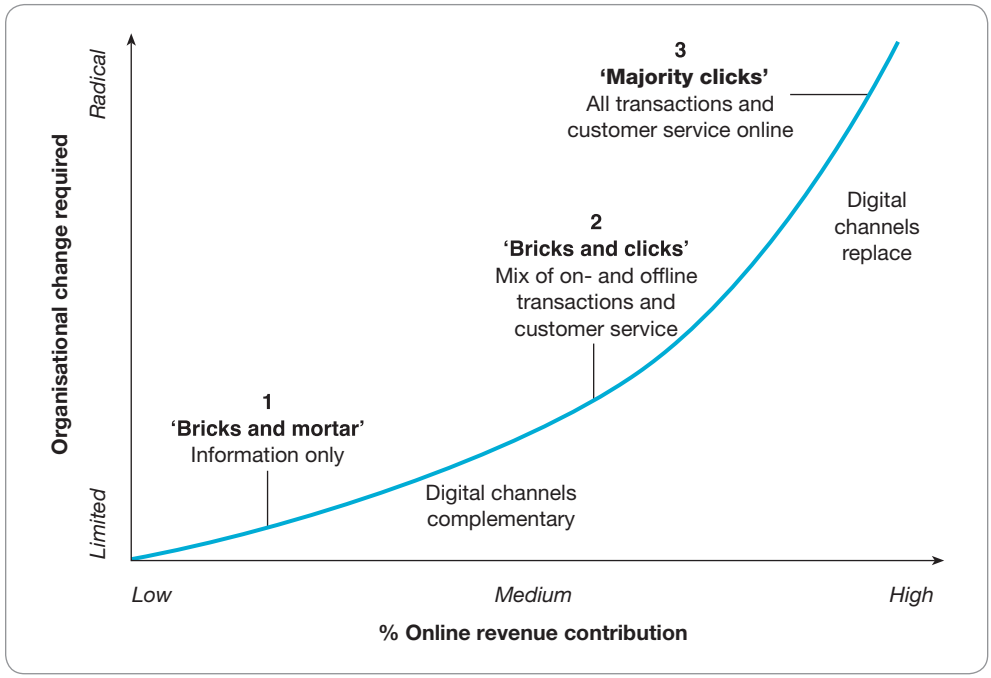
1. Eliminate silos and create seamless experiences for consumers all the way along the path to purchase. Look for ways to bring together the on- and offline worlds and avoid isolated marketing campaigns that do not integrate. If there is any friction along the journey, a shopper is likely to defect to another supplier (e.g. if a retailer sells products at different prices online to in-store).
2. Increase opportunities to interact digitally by understanding more about their paths to purchase (e.g. provide incentives along the way through digital advertising and mobile promotions).
3. Analyse and measure consumer behaviour at all touchpoints in order to develop deep and insightful understanding of what is driving shoppers' choices and purchase decisions.

Clicks-and-mortar
A business combining an online and offline presence. Mixed-mode buying is supported through 'click-and-collect' (a UK term) or BOPIS (buy online pick-up in store, a US term).

Clicks-only (internet pureplay)
An organisation with principally an online presence. It does not operate a mail-order operation or promote inbound phone orders.

The options for integrating physical and digital channels are shown in Figure 4.14. The online revenue contribution typically increases through time. It is informed by the customer demand analysis of propensity to purchase or reserve a particular type of product via online channels. If the objective is to achieve a high online revenue contribution of greater than 70 per cent then this will require fundamental change for the company to transform to a **clicks-and-mortar** or **clicks-only (internet pureplay)** company.

Figure 4.14 The continuum of strategic options for a company in relation to the importance of the internet as a consumer channel



Source: Dholakia *et al*. (2010)

Digital marketing insight 4.3 gives examples of how retailers have developed their digital channel strategies to support mixed-mode buying.

Digital marketing insight 4.3 — Retail digital channels and mixed-mode buying

Possibilities opened up by e-commerce sparked new thinking about how computer networks might facilitate and increase trade in consumer markets. Retailers have devised new operational strategies that incorporate their operations and digital technology to develop different approaches and this has led to a proliferation of touchpoints to engage consumer engagement online. For example:

- **Bricks-and-clicks retailers** (involves multichannel retailers who traditionally sold from physical stores that now offer e-commerce sales). The digital channel is integrated into their businesses either strategically or tactically as a marketing tool or a sales channel to support **mixed-mode buying**. In the United Kingdom, the majority of major high-street brands use this type of multichannel approach, including next.**co.uk, sainsburys.co.uk and specsavers.co.uk.**
- **Clicks-and-mortar retailers** (involves online retailers developing a physical store). For example, Oak Furnitureland™ started with an eBay shop, which was so successful that the company started selling through physical stores. This strategy has enabled growth and the company has become one of the United Kingdom's leading retailers (Found, 2016). Some pureplay retailers are now venturing offline, with Amazon and Zalando™ opening high-street stores following the trend set by manufacturers such as Apple and Samsung™.
- **Pureplay or online retailers** (involves 'click-only' and operating entirely online). While these retailers do not have fixed-location stores they will have physical operational

Mixed-mode buying
The process by which a customer changes between online and offline channels during the buying process, including research online, purchase offline; research offline and purchase online; and click-and-collect.

support systems (e.g. distribution warehouses), as is the case with Zalando and ASOS™ (read more in the ASOS case study at the end of this chapter). As a result, retailers are becoming increasingly more creative with how they are using the internet and associated digital technologies to serve the needs of their customers. A high proportion of customers now use multiple channels when making purchase decisions, combining online research with physical store visits (Hart *et al*., 2017).

Research (Hart *et al*., 2017; Stocchi *et al*., 2016) found that on a typical visit to a town centre, consumers refer to multiple digital touchpoints before and during their shopping journeys. Digital marketers should be aware of how their target markets respond to digital to ensure they maximise opportunities to engage customers at every stage in their journeys.

It is not only retailers that make use of multiple channels to engage their customers – airlines (British Airways™), rail companies (Virgin Trains™), pubs and restaurants (JD Wetherspoons™) use virtual channels (apps, websites, email marketing) to integrate the physical customer experience with the digital to deliver services and communicate with customers.

Decision 7: Multichannel communications strategy

Customer communications channels refer to how an organisation influences its customers to select products and suppliers through the different stages of the buying process through inbound and outbound communications. As part of creating a digital marketing strategy, it is vital to define how the digital integrates with other inbound communications channels used to process customer enquiries and orders, and with outbound channels that use direct marketing to encourage retention and growth or deliver customer service messages. For a retailer, these channels include in-store, contact-centre, web and outbound direct messaging used to communicate with prospects and customers. Some of these channels may be broken down further into different media (e.g. the contact centre may involve inbound phone enquiries, email enquiries or real-time chat). Outbound direct messaging may involve direct mail, email media or web-based personalisation.

The multichannel communications strategy must review different types of customer contact with the company and then determine how online channels will best support these channels. The main types of customer contact and corresponding strategies will typically be:

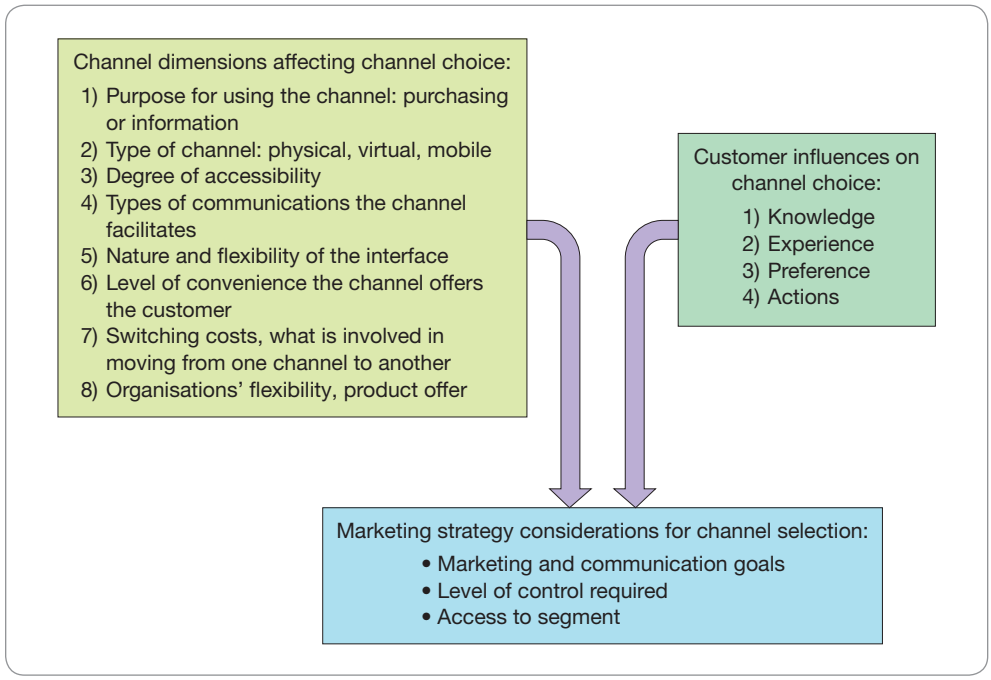
- inbound sales-related enquiries (customer acquisition or conversion strategy);
- inbound customer-support enquiries (customer service strategy);
- outbound contact strategy (customer retention and development strategy).

For each of these strategies, the most efficient mix and sequence of media to support the business objectives must be determined. Typically, the short-term objective will be conversion to outcome such as sale or satisfactorily resolved service enquiry in the shortest possible time with the minimum cost. However, longer-term objectives of customer loyalty and growth also need to be considered. If the initial experience is efficient, but unsatisfactory to the customer, then they may not remain a customer!

The multichannel communications strategy must assess the balance between:

- **Customer channel preferences.** Some customers will prefer online channels for product selection or making enquiries while others will prefer traditional channels.
- **Organisation channel preferences.** Traditional channels tend to be more expensive to service than digital channels for the company; however, it is important to assess effectiveness

Figure 4.15 Influences on customers of multichannel decision making



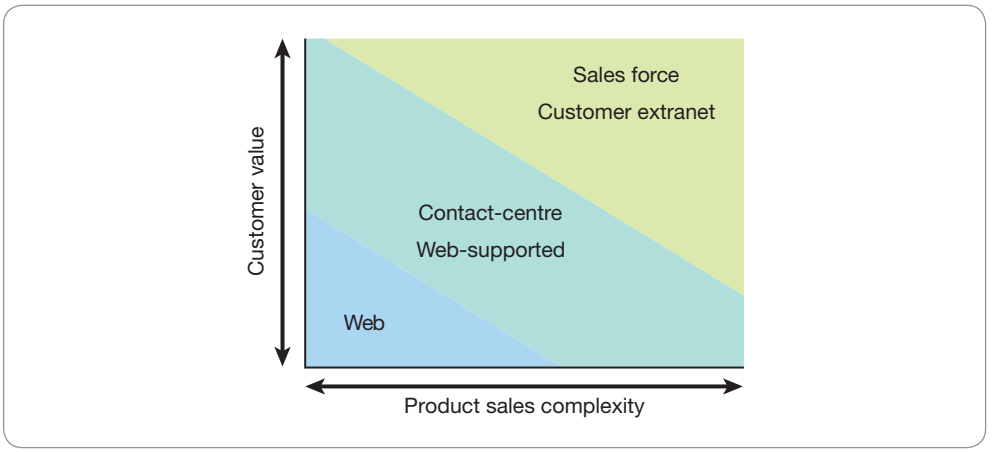
Source: Dholakia *et al*. (2010)

and the ability of channels to convert the customer to sale (e.g. a customer who responds to a TV ad to buy car insurance may be more likely to purchase if they enquire by phone in comparison to web enquiry) or in developing customer loyalty (the personal touch available through face-to-face or phone contact may result in a better experience for some customers, which engenders loyalty).

Figure 4.15 is based on the work of Dholakia *et al*. (2010), who suggested that there are eight dimensions to consider when making channel choice. This figure shows these dimensions and suggests the factors that affect consumer decision-making. The channel dimensions have implications for planning and point to key decision areas for an organisation that is developing its channel and communication strategies. For example, dimension 3 – accessibility – is becoming increasingly important with the widespread adoption of wireless technology and mobile phones; dimension 5 – flexibility of the interface – some channels offer limited flexibility whereas others can be instantaneously tailored (e.g. advertising, which through emotion recognition software can potentially provide a personal message as a customer passes by an outdoor billboard).

Multichannel communications strategy needs to specify the extent of communications choices made available to customers and the degree to which a company uses different channels to communicate with particular customer segments (Figure 4.16). Deciding on the best combination of channels is a complex challenge for organisations. Consider your mobile phone company – when purchasing you may make your decision about handset and network supplier in-store, on the web or through phoning the contact centre. Any of these contact points may be either direct with the network provider or through a retail intermediary. After purchase, if you have support questions about billing, handset upgrades or new tariffs you may again use any of these touchpoints to resolve your questions. Managing this multichannel challenge is vital for the phone company for two reasons, both concerned with customer retention. First, the experience delivered through these channels is vital to the customer's decision as to whether to remain with the network supplier when their contract expires – price is not the only consideration. Second, outbound communications delivered

Figure 4.16 Channel coverage map showing the company's preferred strategy for communications with different customer segments with different value



via website, email, direct mail and phone are critical to getting the customer to stay with the company, by recommending the most appropriate tariff and handset with appropriate promotions, but which is the most appropriate mix of channels for the company (each channel has a different level of cost-effectiveness for customers that contributes different levels of value to the customer) and the customer (each customer will have a preference for the combinations of channels they will use for different decisions)?

Decision 8: Online communications mix and budget

The decision on the amount of spending on online communications and the mix between the different communications techniques such as search engine marketing, affiliate marketing, email marketing and online advertising closely relates to Decision 6. In Chapter 2 we discussed the changes in levels of adoption of different channels and media, and these changes have a cascade effect in terms of implications for planning the communication mix.

Making these decisions requires digital marketers to decide the focus of their communications and whether the primary purpose is customer acquisition, retention or relationship building.

In the case of e-commerce operations, Agrawal *et al.* (2001) suggest that success can be modelled and controlled based on the customer lifecycle of customer relationship management. They suggest using a scorecard, which is based on **performance drivers** or critical success factors, e.g. costs for acquisition and retention, conversion rates of visitors to buyers to repeat buyers, together with churn rates. There are three main parts to their scorecard:

Performance drivers Critical success factors that determine whether business and marketing objectives are met.

1. **Attraction.** Size of visitor base, visitor acquisition cost and visitor advertising revenue (e.g. media sites).
2. **Conversion.** Customer base, customer acquisition costs, customer conversion rate, number of transactions per customer, revenue per transaction, revenue per customer, customer gross income, customer maintenance cost, customer operating income, customer churn rate and customer operating income before marketing spending.
3. **Retention.** This uses similar measures to those for conversion customers.

We will return to this topic in Chapter 8, where we will review the balance between **campaign-based communications** and always-on communications. Campaign-based digital communications are often tied into a particular event such as the launch or relaunch of a website or a product – e.g. an online advertising campaign may last for a period of two months following a site relaunch, or for a five-month period around a new product launch. Always-on communications investments in inbound marketing techniques should be continuous, to meet continuous interest in products from consumers searching for them online.

Campaign-based digital communications Digital communications that are executed to support a specific marketing campaign such as a product launch, price promotion or a website launch.

Companies wishing to advertise using digital channels are also making changes; they are having to invest in new staff with the required skills to understand the new media and many established brand images need to be changed to succeed online.

Organisational issues of strategy implementation

The 7Ss are a useful framework for reviewing an organisation's existing and future capabilities to meet the challenges posed by the new digital channels, and some of the aspects of these challenges are shown in Table 4.7.

Table 4.7 Summary of some of the organisational challenges of digital marketing that need to be managed in the context of the 7S framework

Element of 7S model	Application to digital marketing strategy	Key issues from practice and literature
Strategy	The significance of digital marketing in influencing and supporting the organisation's strategy	Gaining appropriate budgets and demonstrating/delivering value and ROI from budgets. Annual planning approach Techniques for using digital marketing to impact organisation strategy Techniques for aligning digital strategy with organisational and marketing strategy
Structure	The modification of organisational structure to support digital marketing	Integration of digital marketing and e-commerce teams with other management, marketing (corporate communications, brand marketing, direct marketing) and IT staff Use of cross-functional teams and steering groups Insourcing vs outsourcing
Systems	The development of specific processes, procedures or information systems to support digital marketing	Campaign planning approach – integration Managing/sharing customer information Managing content quality Unified reporting of digital marketing effectiveness In-house vs external best-of-breed vs external integrated technology solutions
Staff	The breakdown of staff in terms of their background and characteristics such as IT vs marketing, use of contractors/consultants, age and sex	Insourcing vs outsourcing Achieving senior management buy-in/involvement with digital marketing Staff recruitment and retention. Virtual working Staff development and training
Style	Includes both the way in which key managers behave in achieving the organisation's goals and the cultural style of the organisation as a whole	Relates to role of digital marketing team in influencing strategy – is it dynamic and influential or conservative and looking for a voice?
Skills	Distinctive capabilities of key staff, but can be interpreted as specific skill sets of team members	Staff skills in specific areas: supplier selection, project management, content management, specific e-marketing approaches (SEO, PPC, affiliate marketing, email marketing, online advertising)
Superordinate goals	The guiding concepts of the digital marketing organisation, which are also part of shared values and culture. The internal and external perception of these goals may vary	Improving the perception of the importance and effectiveness of the digital marketing team among other senior managers and staff (marketing generalists and IT)

Source: Chaffey (2005)

You may have encountered the 7S framework, summarised by Waterman *et al*. (1980) and developed by McKinsey and Company consultants in the 1980s. It is often referenced when referring to the management of a business. Dave Chaffey has summarised some of the strategic resource management issues that require consideration, as shown in Table 4.7. These remain relevant factors for organisations to review today since many businesses are still undertaking digital transformation programmes.

Subsequent chapters in this text cover strategy implementation in more detail:

- Chapter 5 – options for digital branding and varying the marketing mix in the digital environment.
- Chapter 6 – implementing customer relationship management.
- Chapter 7 – delivering online services and developing digital experiences via websites, mobile apps and virtual reality.
- Chapters 8 and 9 – interactive marketing communications and digital media channel best practices.
- Chapter 10 – evaluation using analytics and maintaining the online presence.

In each of these areas, such as CRM or development of website functionality, it is common that different initiatives will compete for budget. The next section reviews techniques for prioritising these projects and deciding on the best portfolio of e-commerce applications.

Assessing different digital initiatives including marketing technology

A further organisational capability or governance issue is the decision about prioritising different systems for implementing marketing applications. Typically, there will be a range of alternative strategic initiatives competing for budgets, many of which have a high marketing technology component. Limited resources will dictate that only some applications are practical and a long-term roadmap may be needed to prioritise them.

Portfolio analysis
Identification, evaluation and selection of desirable marketing applications.

Portfolio analysis can be used to select the most suitable initiatives or projects. For example, Daniel *et al*. (2001) suggest that potential e-commerce opportunities should be assessed for the value of the opportunity to the company against its ability to deliver. Typical opportunities for strategic digital marketing initiatives for an organisation that has a simple, static site might be:

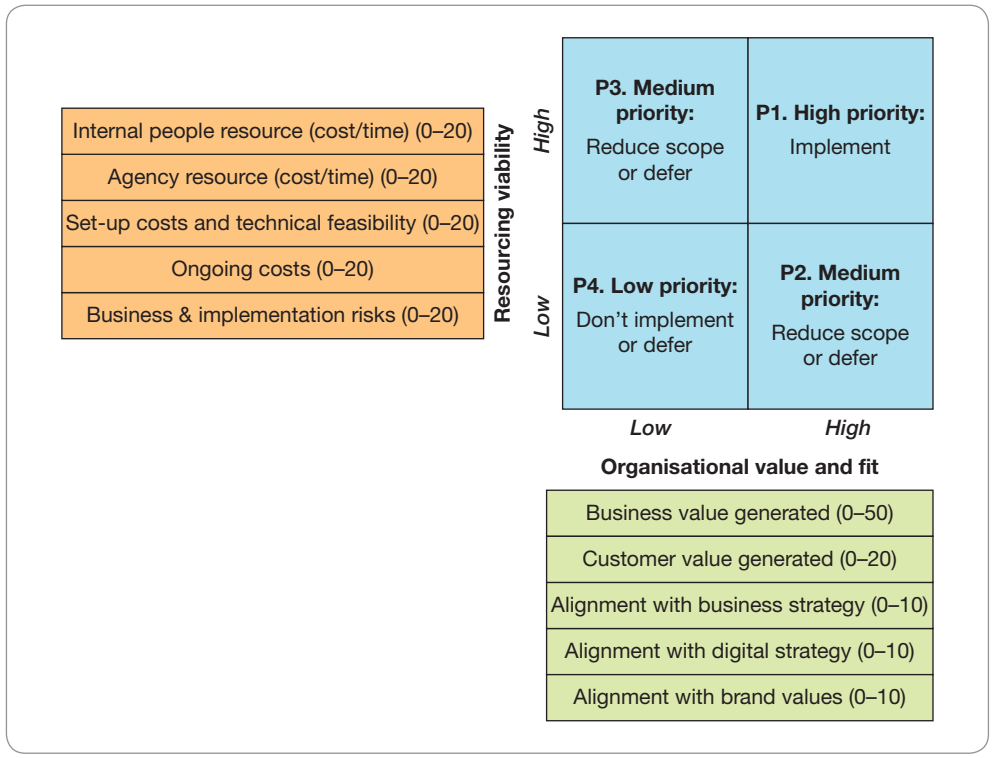
- content management systems or online catalogue facility;
- CRM system – lead generation and inbound marketing system;
- CRM system – customer service management;
- CRM system – personalisation of content and promotion recommendations for users;
- partner relationship management extranet for distributors or agents;
- transactional e-commerce facility.

The full range of marketing technology options are covered in Chapter 10. Such alternatives can be evaluated in terms of their risk against reward.

For information systems investments, the model of McFarlan (1984) has been used extensively to assess the future strategic importance of applications in a portfolio. This model has been applied to the e-commerce applications by Daniel *et al*. (2008) and Chaffey (2019). Potential e-commerce applications can be assessed as one of the following categories:

- **Key operational:** essential to remain competitive. Example: partner relationship management extranet for distributors or agents.
- **Support:** deliver improved performance, but not critical to strategy. Example: e-CRM system – personalisation of content for users.
- **High-potential:** may be important for achieving future success. Example: e-CRM system – customer service management.
- **Strategic:** critical to future business strategy. Example: e-CRM system – lead generation system is vital to developing new business.

Figure 4.17 Matrix for evaluating digital marketing business investment alternatives



Tjan (2001) suggested a matrix approach of viability (return on investment) against fit (with the organisation's capabilities) for digital applications that remains representative of the decision-making process many organisations follow. Viability is ideally based on a quantitative business case assessment of the value of a new application that will be generated through increasing conversion and retention rates. Fit is a more subjective measure based on the ease of implementation given the fit of an application with an organisation's existing processes, capabilities and culture.

Our recommendation for a form of portfolio analysis is shown in Figure 4.17 as the basis for benchmarking current e-commerce capabilities and identifying strategic priorities. The five criteria used for organisational value and fit (together with a score or rating for their relative effectiveness) are:

- **Business value generated** (0–50). This should be based on *incremental* financial benefits of the project. It can be based on conversion models showing estimated changes in number of visitors attracted (new and repeat customers), conversion rates and results produced. Consideration of lifetime value should occur here.
- **Customer value generated** (0–20). This is a 'softer' measure that assesses the impact of the delivered project on customer sentiment, for example would they be more or less likely to recommend a site, would it increase their likelihood to visit or buy again?
- **Alignment with business strategy** (0–10). Projects that directly support current business goals should be given additional weighting.
- **Alignment with digital strategy** (0–10). Likewise for digital strategy.
- **Alignment with brand values** (0–10). And for brand values.

The cost elements for potential e-business projects are based on requirements for internal people resource (cost/time), agency resource (cost/time), set-up costs and technical feasibility, ongoing costs and business and implementation risks.

The online lifecycle management grid

Earlier in the chapter, in the section on objective setting, we reviewed different frameworks for identifying objectives and metrics to assess whether they are achieved. We consider the online lifecycle management grid at this point since Table 4.8 acts as a good summary that integrates objectives, strategies and tactics across the RACE lifecycle management framework. It can be used to select the most relevant performance metrics to track digital marketing contribution and performance on a digital marketing dashboard. It forms a summary of how to track the effectiveness of digital marketing strategies and tactics.

The columns isolate the key performance areas of site visitor acquisition, conversion to opportunity, conversion to sale and retention across RACE. The rows isolate more detailed metrics such as the tracking metrics and performance drivers from higher-level metrics such as the customer-centric key performance indicators (KPIs) and business-value KPIs.

In the bottom two rows of the table we have added typical strategies and tactics used to achieve objectives, which summarise the relationship between common digital objectives and techniques to achieve these objectives:

- **Online targeted reach strategy.** The aim is to communicate with relevant audiences online to achieve communications objectives. The communications commonly include campaign communications such as online advertising, PR, email, viral campaigns and continuous always-on communications such as search engine marketing or sponsorship or

Table 4.8 Online performance management grid for an e-retailer

Metric and growth	Reach	Act	Conversion to sale	Customer engagement
Tracking metrics	Unique visitors New visitors Conversation volume	Opportunity volume	Sales volume	Email list quality Email response quality transactions
Performance drivers (diagnostics)	Bounce rate Conversion rate: new visit to start quote Brand/direct visits	Macro-conversion rate to lead or opportunity and micro-conversion efficiency	Conversion rate to sale Email conversion rate	Active customers (%) (site and email active) Repeat conversion rate for different purchases
Customer-centric KPIs	Cost-per-click and -per-sale Brand awareness Conversation polarity (sentiment)	Cost-per-lead Customer satisfaction	Cost-per-sale Customer satisfaction Average order value (AOV)	Lifetime value Customer loyalty index and advocacy Products per customer
Business-value KPIs	Audience share Share of voice	Online product requests (n, £, % of total)	Online originated sales (n, £, % of total)	Retained sales growth and volume
Strategy	Online targeted reach strategy Offline targeted reach strategy	Lead generation strategy	Online sales generation Offline sales impact strategy	Retention and customer growth strategy
Tactics	'Always-on' continuous communications mix Campaign communications mix Online value proposition	Usability Personalisation Inbound contact strategy (customer service)	Usability Personalisation Inbound contact strategy (customer service) Merchandising Triggered emails	Database/list quality Targeting Outbound contact strategy (email) Personalisation

Note: Conversation polarity refers to assessing positive vs negative sentiment through social media listening.

Source: Neil Mason's Applied Insights acquisition, conversion, retention approach to the Smart Insights Reach, Act, Convert, Engage framework introduced in Chapter 1.

partnership arrangements. The strategy may involve: (1) driving new, potential customers to the company site, social pages or mobile apps; (2) migrating existing customers to use online channels; or (3) achieving reach to enhance brand awareness, favourability and purchase intent through ads, influencer marketing and sponsorships on third-party sites. Building brand awareness, favourability and purchase intent on third-party sites may be a more effective strategy for low-involvement FMCG brands where it will be difficult to encourage visitors to the site.

- **Offline targeted reach strategy.** The objective is to encourage potential customers to use online channels, i.e. visit websites and transact or download apps where relevant. The strategy is to communicate with selected customer segments offline through direct mail, advertising, PR and sponsorship.
- **Online value proposition strategy.** Defines the digital value proposition for acquisition and retention to engage with customers online. Includes content, experience and promotional incentives used to encourage trial.
- **Online sales efficiency strategy.** The objective is to convert site visitors to engage and become leads (e.g. through registering for an e-newsletter or placing the first item in the shopping basket) and to convert them to buy products and maximise the purchase transaction value using nurturing and personalisation, optimised through a structured testing programme.
- **Offline sales impact strategy.** The aim is to achieve offline sales or click-and-collect transactions from new or existing customers. Strategy defines how online communications through the website and email can influence sales offline, i.e. by phone, mail order or in-store. For B2B companies that don't transact online, digital channels are aimed at developing sales conversations with business development staff.

The case study for this chapter examines a retail example of strategy development.

Case study 4 ASOS shifts the focus of high-street retailing to enhance the customer experience

ASOS has pioneered online social shopping and is one of the most successful online fashion retailers in the United Kingdom. ASOS offers tens of thousands of branded and own-label fashion items to millions of 20-something men and women around the globe. The brand is constantly reviewing the online marketplace for threats or opportunities for expansion and responding accordingly. This case study explores the growth and competitive strategy of this iconic online retail fashion brand.

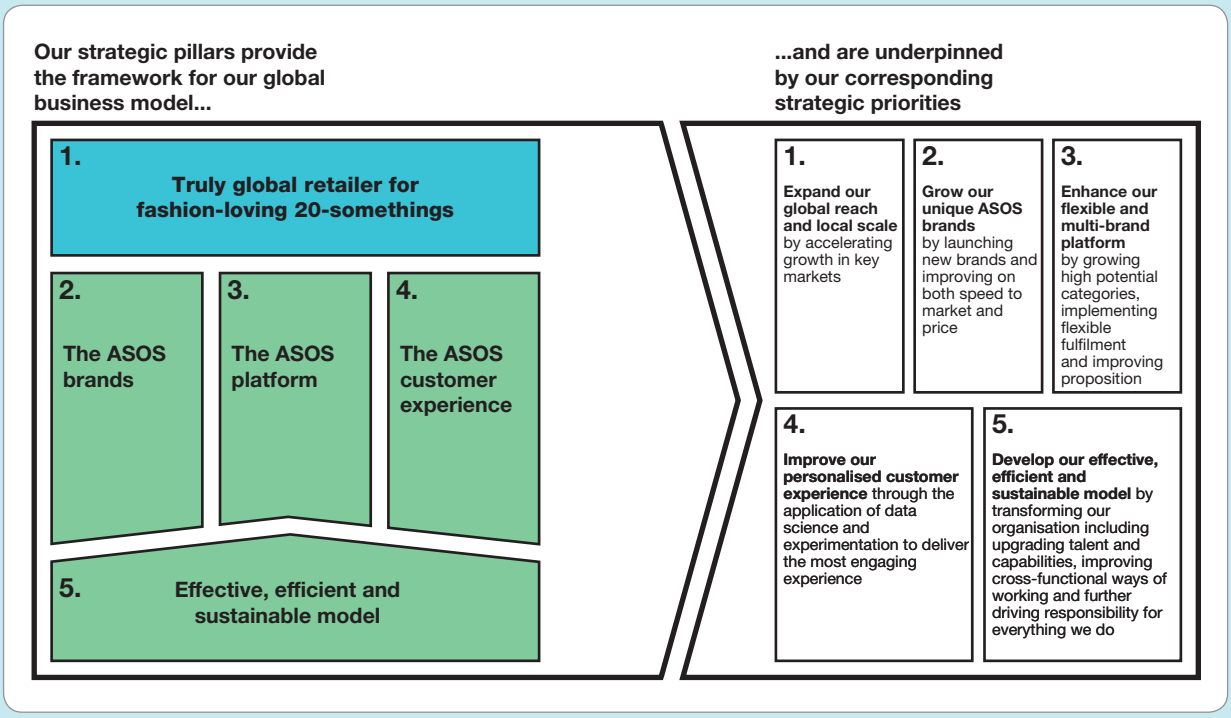
The ASOS strategic pillars (see Figure 4.18) summarise its business model, including the target audience and the importance of customer experience and sustainability.

Nick Robertson and Quentin Griffiths, founders of As Seen on Screen (ASOS), were inspired by watching American TV series *Friends*, and these friends set about building a website that could sell items that potential customers had seen on television. Initially, ASOS sold copies of clothing worn by celebrities, but soon the company began developing its own brand. This focus enabled the company to start to build a reputation that was attractive to young fashion shoppers.

Despite industry commentators' doubts about selling clothing online, by 2004 ASOS had introduced its own-label women's wear and since has achieved the following landmarks:

- 2006 – became the first company in the United Kingdom to launch online catwalk shows;
- 2007 – launched ASOS own-label for men;
- 2010 – began expanding internationally into Europe, Russia and the United States and established sites to serve these markets and launched ASOS marketplace;
- 2011 – app launch and Australian, Italian and Spanish sites established;
- 2012 – began to consolidate online expansion, opening international offices in Sydney and New York;
- 2015 – partnered with PayPal to connect directly with student markets;

Figure 4.18 ASOS's strategic pillars summarising its business model



Source: ASOS (2020)

- 2016 – invested in artificial intelligence and voice recognition to improve social media applications;
- 2017 – market valuations made ASOS more valuable than M&S, the United Kingdom's largest seller of clothing;
- 2019 – dip in online fashion sales, ASOS's significant investment in restructuring and transitions costs led to lower decline in overall valuation of the brand;
- 2021 – ASOS explores expansion opportunities in the United Kingdom with possible acquisition of one of its wholesale partners and leading fashion brand Topshop.

ASOS has grown into the United Kingdom's largest online fashion retailer by deploying a competitive strategy, which has established a unique market position: selling a specialist range of products that have 'the designer fashion look'. Nick Robertson, the company's co-founder, started selling branded clothing as seen in films and on television. Not only did this enable the company the opportunity to create a market, but it also benefited from celebrity endorsements in PR and promotional campaigns. ASOS now sells over 100,000 branded and own-label clothing products and offers a much wider product range than its high-street competitors. ASOS operates as a fast-fashion retailer, which has meant overcoming many challenges to get goods to the customers on time and at the same time manage the high rate of returns. ASOS has set up systems that enable product lines to be replaced quickly. Operating at this level creates many challenges for ASOS, so, in order to deliver the promise of fast designer-look fashion, and to constantly update product ranges, ASOS has established an 'in-house' design team in Europe, which creates catwalk lookalike items that are produced closer to the customers, which aids delivery and helps the higher returns rate of operating online rather than in-store.

ASOS continues to be one of the top ten online retailers globally, but recently other high-street brands, Macy's and Next plc, have grown their e-commerce operations to become more significant competitors. In 2018, faced with growing global competition, ASOS's CEO Nick Beighton talked of how the company had invested heavily in expanding its global platform capability in order to improve customers' experience and facilitate global expansion in new and existing markets (Skeldon, 2019). The increasingly competitive nature of online fashion means ASOS has to plan for its future growth and market development. The company's mission is to be the world's number one destination for fashion-loving 20-somethings (ASOS, 2019).

Online value proposition

'Authentic, Brave and Creative' are the key words that sum up ASOS's company values (ASOS, 2019). Product choice is at the core of the ASOS proposition: tens of

thousands of branded and own-label products available, with hundreds introduced each week. On pricing, ASOS is price competitive with its Price Promise (a price-match offer): if you see a branded (non-ASOS) product cheaper on another website, the company will match that price. ASOS describes its website as 'evolving constantly as we find better ways of presenting our products'.

In 2010 **ASOS.com** launched its Marketplace platform, enabling boutiques, vintage collectors, individuals and designers – established or unknown – to trade from their own virtual market stalls to customers across the world. It differs from other online marketplaces such as eBay and Amazon in that each vendor can customise their storefront and, for £50 each month, will have access to an account manager at ASOS and some premium promotional spots on Marketplace.

ASOS service

For ASOS, speed and accuracy of deliveries to customers is a critical success factor. By offering same-day deliveries the company has increased sales by 23 per cent in the United Kingdom and even more in the EU.

Underpinning these improvements in sales is an innovative ethos that is evident across the company. ASOS invested in a customer contact management system that enables staff to respond to customer care emails more quickly and efficiently. Working with Clipper Logistics, it has introduced an innovative reverse logistics system called Boomerang, which provides quick turnaround on inventory when products are returned. A primary strategic objective is to continually innovate to 'add convenience and choice for ASOS shoppers'.

Partnerships

ASOS focuses on its target market and looks for strategic opportunities and initiatives that can strengthen its positioning. Promotional tie-ups and associations are very important to ASOS. In 2018, the company launched a global new-to-market label, Collusion. The label was designed to represent collaborations with stand-alone designers and ASOS creative experts (Singh, 2018). The promotion received media coverage, including two full-page features in the national press. The collection sold out in minutes. The ASOS Fashion Discovery programme, launched in 2016, continues to create opportunities for young designers and students to work on their own labels, which are then stocked by ASOS for at least two seasons.

Marketing communications

e-Word of mouth is a powerful tool of this brand, able to leverage advantage through links to celebrities and fashion using the ASOS Insider community, which is a marketing initiative that uses individuals and their fashion insights to build digital content. The 'authenticity' of the content generated by the Insiders makes this a very powerful approach to digital communications and also links to their own social media accounts in order to extend the reach and impact of the communications network. These digital influencers not only share their fashion favourites but also have an 'Outfit of the Day', which helps drive sales of specific products.

The ASOS Foundation is central to the ASOS corporate social responsibility strategy, which again contributes to the brand's market positioning. The Foundation seeks to support disadvantaged young adults in the United Kingdom, India and parts of Africa. Projects involve finding ways to develop sustainable improvements in these areas: a social enterprise in Kenya that works from an eco-factory producing African-inspired fashion designs; education in artisan skills in remote parts of Africa; and working with the Prince's Trust in the United Kingdom to help young people develop the skills they need to get jobs.

Search marketing

ASOS generates interest in the brand from different sources: direct traffic to ASOS sites brings almost half (48.12 per cent), organic and paid search (40.65 per cent) and social (5.11 per cent) (Similarweb, 2021).

The range of terms ASOS targets for search are evident from the <title> and description tags on the home page, which are also used to communicate key brand messages:

> *<title>ASOS | Shop women's fashion & men's clothing | Free Delivery & Returns</title>*
>
> *<meta name = "Description" content = "Discover the latest in women's fashion and men's clothing online. Shop from over 40,000 styles, including dresses, jeans, shoes and accessories from ASOS and over 800 brands. ASOS brings you the best fashion clothes online."/>*

Social media marketing

The growth of the company in recent years has largely been driven by social media. ASOS has contributed a great deal to the digital high street. Apart from showing that it is possible to sell fashion online profitably, the company has also pioneered *social shopping*, where customers use online social network sites to share product ideas before they buy. ASOS has successfully used social media to build a community of fashionistas who are prepared to share their views and opinions on Facebook, Twitter and Instagram, and to share ideas of what to wear, giving its young shoppers fashion inspiration. With many millions of followers on social media sites, the company has made a significant commitment

to community on its own site through the ASOS blogs and the social network sites where it has over 1.3 million Likes on Facebook. It runs regular promotion events integrated across the social networks but focuses on stories. Its Instagram strategy links directly to its influencers and in doing so widens the reach of the brand.

Basket analysis

ASOS's basket analysis approaches were described in an interview with former Marketing and Operations Director, Hash Ladha:

> *One of the most interesting things we found was that men tend to buy for their partners as well as themselves. We previously thought this might work the other way around. Using this data, email content was generated by the company's in-house editorial team. Generic content included a round-up of current fashion trends and 'best buy' recommendations. The personalised content took into account favourite brands and budget, recommending items below a certain price limit. Emails were sent twice a week. Other strategies, such as encouraging customers to refer a friend to the company, and sending viral campaigns, were also used at this time. Our best customers visit the site every day. Shopping habits do vary, but most customers like to browse the site between spending. A twice-weekly email gives them a direct link straight to the site and keeps it fresh in customers' minds.*

ASOS also wanted to lure lapsed customers back to its website. It targeted these individuals with tailored content that aimed to remind them why they had previously shopped online for designer and high-street clothing.

Customer communications

To encourage loyalty, for many years ASOS produced a popular branded magazine. However, it now relies on more cost-effective email and social media communications to engage customers.

Ultimately, ASOS has developed a large target audience for its products through the use of digital media and it is able to communicate new product ideas very effectively to keep customers interested. ASOS's innovative use of social media has enabled it to influence the way young shoppers interact with online fashion retailers. Moreover, this is likely to be a massive growth area and social shopping is likely to continue to reshape the way we shop for the foreseeable future. Always keen to be ahead of the competition, the main thing for the ASOS team is being where their customers are and being able to engage in the dialogue.

Sources: Armstrong (2016); ASOS (2011); BBC (2013); Davies (2018); Kakar (2018); Kollewe (2014); Wood (2017)

Questions

1. Apply the SOSTAC model to ASOS and highlight why it has become such a successful online fashion brand.
2. Describe how ASOS uses digital channels to engage its customers.
3. Discuss how ASOS has used digital marketing to develop its differentiated market position.

Summary

1. The development of the online presence follows stage models from basic static websites, through simple interactive sites with query facilities to dynamic sites offering personalisation of services for customers.
2. The digital marketing strategy should follow a similar form to a traditional strategic marketing planning process and should include:
   - goal setting;
   - situation analysis;
   - strategy formulation;
   - resource allocation and monitoring.

   A feedback loop should be established to ensure the site is monitored and modifications are fed back into the strategy development.
3. Strategic goal setting should involve:
   - setting business objectives that the internet can help achieve;

- assessing and stating the contribution that digital will make to the business in the future, both as a proportion of revenue and in terms of whether digital will complement or replace other media;
- stating the full range of business benefits that are sought, such as improved corporate image, cost reduction, more leads and sales, and improved customer service.

4 The situation analysis will include assessing internal resources and assets, including the services available through the existing website.

5 Strategy formulation involves defining a company's commitment to digital, setting an appropriate value proposition for customers and identifying the role of the digital channels in exploiting new markets, marketplaces and distribution channels, and in delivering new products and services. In summary:
- Decision 1: Market and product development strategies.
- Decision 2: Business and revenue models strategies.
- Decision 3: Target market strategy.
- Decision 4: Positioning and differentiation strategy (including the marketing mix).
- Decision 5: Customer engagement and social media strategy.
- Decision 6: Multichannel distribution strategy.
- Decision 7: Multichannel communications strategy.
- Decision 8: Online communications mix and budget.

6 The McKinsey 7Ss provide a useful framework for reviewing organisational issues that are important to implementing digital strategies as part of digital transformation. These are: Strategy, Structure, Systems, Staff, Style, Skills and Superordinate goals.

Exercises

Self-assessment exercises

1 How does a digital market strategy integrate with corporate and marketing strategies?
2 What is the role of monitoring in the strategic planning process?
3 Summarise the main tangible and intangible business benefits of digital channels to a company.
4 What is the purpose of a digital marketing audit? What should it involve?
5 What does a company need in order to be able to state clearly in its mission statement its strategic position relative to the internet?
6 What are the market and product positioning opportunities offered by digital channels?

Exam and discussion questions

1 Discuss the frequency with which a digital marketing strategy should be updated for a company to remain competitive.
2 Explain the essential elements of a digital marketing strategy.
3 Discuss the extent to which the eight key strategy decisions are important to a new online retail business.
4 The digital environment is disruptive, volatile and highly susceptible to change. Strategy involves long-term planning and future resource allocation. Discuss the conflicts raised by these two statements for a firm planning its future digital strategy.
5 Suggest how to develop a target marketing strategy for a digital marketing campaign for a takeaway fast-food business.
6 Briefly explain the purpose and activities involved in an external audit conducted as part of the development of a digital marketing strategy.

7 Explain what is meant by the online value proposition and give two examples of the value proposition for online businesses of your choice.
8 Imagine you are the marketing director for a high-street fashion retailer:
   - suggest how you would integrate digital media into your marketing strategy;
   - outline and justify the objectives you would set for a digital strategy designed to grow the online revenue contribution.
9 For a company of your choice, devise a digital marketing strategy.

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter cover the latest digital trends in different industry sectors.

5 Digital branding and the marketing mix

Learning objectives and topics

After reading this chapter, you should be able to:

- Consider branding in a digital marketing context and assess the opportunities for digital brand-building
  - Digital branding
- Apply the elements of the marketing mix in a digital marketing context
  - What is the marketing mix?
  - Digital branding
  - Product in a digital marketing context
  - Price in a digital marketing context
  - Place, channels and distribution in a digital marketing context
  - Promotion and social media in a digital marketing context
  - People, process and physical evidence in a digital marketing context

Case study

Case study 5: Spotify streaming develops new revenue models

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 2 introduces the impact of the internet on market structure and distribution channels.
- Chapter 4 describes how digital marketing strategies can be developed.
- Chapters 6 and 7 explain the service elements of the mix in more detail.
- Chapter 7 explains how site design can be used to support and enhance brand values.
- Chapters 8 and 9 explain the promotion elements of the mix in more detail.

Introduction

Marketing mix
The series of seven key variables – product, price, place, promotion, people, process and physical evidence – that are varied by marketers as part of the customer offering.

Digital branding
Applying digital media and technology to create brand value for target audiences.

This chapter discusses the importance of branding and how the traditional **marketing mix** can be applied in a digital marketing context. The chapter builds on key issues associated with digital marketing strategy (in more detail than was possible in Chapter 4). As part of our discussion of product we review how digital branding can support how brands are developed. The chapter is structured by introducing the marketing mix, looking at **digital branding** online and then each element of the marketing mix in turn, and reviewing the implications of digital technology. Less coverage is given to the promotional element of the mix as this is the focus of Part 3 of the text, and more specifically Chapter 9.

What is the marketing mix?

Marketers will be familiar with the marketing mix, but this introduction is included for context for those digital marketers who are less familiar with the concept. The marketing mix – originally referred to as the 4Ps of product, price, place and promotion – was first proposed by Jerome McCarthy (1960) and is still used as an essential part of formulating and implementing marketing strategy by many practitioners. The popularity of the mix as a guide for the application of marketing techniques is driven by the apparent simplicity of the framework. However, in the 1980s the 4Ps was challenged for not referencing the importance of customer service. The result was that the mix was extended to 7Ps, which includes three further elements (the service mix) that better reflect service delivery: people, process and physical evidence (Booms and Bitner, 1981). A key function of the mix from a strategic marketing perspective is to use elements of the mix to create differential advantage. Differential advantage is when a firm creates added value by varying the mix to stand out from competitors and get noticed by customers (Jobber and Ellis-Chadwick, 2020). For example, **Comparethemarket.com** helps its customers save time and money when searching for insurance products and financial products, or switching energy providers, by comparing companies to find the best deal. Figure 5.1 shows the 7Ps and lists aspects of each element of the mix that a firm might use to create differential advantage.

Marketing thinking is constantly evolving and since 1990 there has been a shift in emphasis in the application of the marketing mix towards the development of relationship building. Some writers even argue this is a paradigm shift, altering the underlying marketing

Figure 5.1 The seven elements of the marketing mix

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

philosophy guiding the application of marketing tools and concepts (Berry, 2008), whereas others suggest the move to more relationship-oriented marketing is in response to growing customer demands and increasingly complex technology-driven trading environments (Singh *et al.*, 2011). Vargo and Lusch (2004) go further by suggesting companies and their customers engage in exchanges that can lead to actual value creation. Their work on co-creation of value argues that this can occur at every point where companies and their customers interact. This is an important concept to consider when planning how to apply digital marketing tools and techniques strategically.

Digital branding, social media and technology provide many new opportunities for the marketer:

- to vary the application of the marketing mix;
- to develop new routes to delivering competitive and differential advantage;
- to create new market positions;
- to build and service relationships in increasingly innovative ways;
- to cut through the barriers of time and space, and offer continuous and instantaneous access to products and services.

Think about these opportunities while tackling Activity 5.1.

Digital marketing affects all aspects of the traditional and service marketing mix, and in this chapter we explore:

- **Product:** reviewing opportunities for modifying the core or extended product for digital environments.
- **Price:** focusing on the implications for setting prices in digital markets; new pricing models and strategies.
- **Place:** considering the implications for distribution for digital marketing.
- **Promotion:** exploring promotional techniques in advance of more detailed coverage of new techniques in Chapters 8 and 9.
- **People, process and physical evidence:** reviewing the principal ideas in advance of more detailed discussion in Chapters 6, 7 and 10, where the focus is on how these elements of the mix relate to customer relationship management and managing an organisation's digital presence.

Activity 5.1 How the marketing mix creates opportunities to gain differential advantage

Purpose

To highlight the scope for applying digital technology as a strategic marketing tool.

Activity

Review Figure 5.1 then consider each of these companies and how they have used elements of the marketing mix to differentiate their brand online and create new market opportunities:

- ASOS – online clothing brand;
- Facebook – social media platform;
- Alphabet (Google) – internet search and advertising;
- DocuSign – electronic signatures;
- Netflix – subscription-based streaming service;
- Adobe – software company;
- GoDaddy – domain registrar;
- eBay – online auction and shopping.

But before we examine each of the elements of the marketing mix, we are going to consider digital branding.

Essential digital skills — Applying the marketing mix to digital marketing

The techniques businesses apply to the marketing mix are sector dependent and are best learned through experience of working in these sectors. To build your knowledge, we recommend you consider the different types of businesses you interact with and think about how they apply marketing to vary their proposition and add value to their brands. Types of businesses to review where you may work in future, as explained in Chapter 1, are:

- transactional e-commerce businesses (retail, travel, financial services, distribution);
- relationship-building businesses (such as B2B lead generation) and high-value consumer products, such as health-related products (e.g. laser eye treatment); financial products (e.g. savings and investments);
- consumer brands, some of which may not transact online through their own e-commerce site (e.g. food and drink delivery services); or those that may sell direct through an e-commerce site (e.g. clothing, hardware manufacturers) or online marketplace (e.g. Amazon or eBay);
- content producers, publishers and social networks – companies that can offer digital products such as streaming and downloads have been transformed by digital channels.

Practical ideas to boost employability by showcasing your interests and experiences:

- include benchmarks in your assignment where competitors are compared based on differences in their brand value proposition and online marketing mix;
- explore different frameworks to assess brand identity and digital brand experience (such as WEBQUAL, which is covered in Chapter 7);
- develop copywriting skills that create compelling product descriptions and describe brands in the appropriate tone of voice – see the voice and tone section in the Mailchimp style guide (**https://styleguide.mailchimp.com/voice-and-tone/**), for example.

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

Digital branding

Branding
The process by which companies distinguish their product offerings from the competition by the sum of the characteristics of the product or service as perceived by the customer.

Branding is important online and offline as it helps customers differentiate between products and services from different manufacturers and producers. Furthermore, branding is how companies set themselves apart from their competitors. Consequently, how a brand is developed and presented online is particularly important because a website visitor has limited physical cues to help form an opinion about a company and its services, such as talking to a sales representative or the ambiance of the physical store. Branding can add value across the supply chain, act as a barrier to competition, increase consumer trust and generate high levels of profitability.

Before examining online brands, let's consider the fundamentals of branding. A brand is far more than the name or logo associated with a company or products. Traditionally,

manufacturers and producers develop their products and services into brands in order to create unique market positions in the minds of their customers (Jobber and Ellis-Chadwick, 2020). From a manufacturer's perspective, well-known brands feature in product categories such as laundry liquids, soup, cars and computers. However, all businesses can be considered as brands, can apply branding principles to differentiate their offering and may develop sub-brands for different products and services.

To identify a unique position – within basic categories – a manufacturer builds a brand around the basic core product in order to distinguish their offering from the competition. Unilever™, global manufacturer of many well-known household brands, produces the Persil brand, while its rival Procter & Gamble™ produces the Ariel brand. Each brand can then be divided into variants, which extend customer choice within the brand. In addition to manufacturer brands, there are also own-label brands (e.g. Essential Waitrose), which are brands developed by distributors (in this case UK supermarket Waitrose & Partners). Own-label brands often provide lower-cost alternatives to the customer than the category-leader brands, which are often highly priced.

For physical products, brand producers take the core product, create a brand name and an image, and then augment the product through service, guarantees, design quality, packaging and delivery. The result is customers can then choose between brands by selecting those that best suit their needs and wants. However, it is not only manufacturers and products that should be concerned with online branding. All businesses are perceived as brands. Developing and maintaining an online presence is increasingly important for all businesses large and small, as the digital elements are increasingly important in governing brand perception. A company's website, mobile apps and social media presence all affect the perception of the brand and are part of the brand experience (see Chapter 7).

A key concept at the heart of creating a brand is positioning and, according to Jobber and Ellis-Chadwick (2020), 'creating a unique position in the marketplace involves a careful choice of target market and establishing a clear differential in the minds of the people'. There is value to be gained; brands that are able to get into the minds of the customers contribute to **brand equity**. There are a range of brand elements to consider:

Brand equity
The assets (or liabilities) linked to a brand's name and symbol that add to (or subtract from) a service.

- brand domain – key target markets, where the brand competes;
- brand heritage – the background and culture of the brand;
- brand values – the core characteristics, e.g. price, quality, performance;
- brand assets – distinctive names, symbols, images;
- brand personality – the character of the brand;
- brand reflection – how the customer perceives themselves as a result of buying the brand.

These principles of branding apply online and offline, but online brands increasingly need to ensure integration between the perception of their offer in both digital and physical environments. For example, the supermarket brand Tesco™ developed **Tesco.com** and has been able to leverage some advantage from its long-established offline brand to build credibility online. Since 1995, Tesco has grown its online offer into becoming one of the world's largest online grocery retailers and the United Kingdom leads the way in this sector online (Dunning, 2017). The Tesco brand's success can be attributed to maintaining the quality of the service on- and offline by using all the traditional elements of brand building to position **Tesco.com**. Migrating a brand in the other direction from online to offline offers some challenges, not least because digital brands have to consider how to operate and provide the same levels of service and quality in the physical world. Read Mini case study 5.1 to find out how Amazon is seeking to develop its brand in an offline setting.

For startup and established online brands, the issue of branding is complex. The internet and digital technologies have changed the global brand landscape. Since 1998, online brands have emerged and become household names in a few years – for example, Google, Amazon, eBay, Facebook. Digital technology has also brought distinctive features to the online **brand experience** (Morgan-Thomas and Veloutsou, 2013). As discussed, an online brand is similar

Brand experience
The frequency and depth of interactions with a brand, which can be enhanced through the internet.

Mini case study 5.1 Expansion of an online brand offline

Source: Shachima/Shutterstock

According to Bravo *et al*. (2011), 'in recent years the offline and online spheres of strategic brand management are becoming more and more interconnected'. Part of the reason for this is that when offline companies decide to sell their product online, they also need to establish the logistical and technical networks to support the operation. However, as companies seek to commercialise their products by using digital channels, the crossover from offline to online can lead to the creation of new online products and extend a brand's reach to a wider target audience. By operating offline, brands can build value in both environments, by extending their existing brand. For an offline brand, a core reason for expanding online is accessing new markets, adding customer value and increasing flexibility through the use of multichannels. According to Burt (2010), established brands are 'getting more, rather than less important'. However, for a brand moving from online to offline, the focus and opportunities are slightly different. Online brands can create awareness for their product and service offers and it may be possible to enhance consumer trust in the online brand (Delgado and Hernandez, 2008). But online brands must get it right if they are to enhance their brand positioning by going offline. Amazon has been experimenting with physical stores using an innovative format: completely automated stores called AmazonGo. The first new concept store opened in Seattle, Washington, USA, in 2016. It had no cashiers or self-service scanners; instead, hidden technology devices were able to record every item a shopper took from the shelves and put into their bags. These items were held in a virtual shopping basket until the shopper had finalised their purchases, then as they exited the store their Amazon account was automatically charged (Wingfield, 2018). But Amazon faced many technical challenges in making this new concept store work, so expansion for their physical stores has made slow progress. However, in 2021, following more store openings in the United States, the AmazonGo concept store was launched in London. Shoppers are now able to pick groceries in-store and leave without stopping to pay for their goods. The payment is done remotely via the AmazonGo App (Faithfull, 2021). There are few AmazonGo stores globally (under 30) but the company aims to expand this further in order to bring the convenience of online, offline.

to its offline counterparts in many ways but, according to Morgan-Thomas and Veloutsou (2013), the major difference is the context in which the customer experiences the brand. Online context tends to be:

- information rich;
- dynamic;
- characterised by excessive information flows;
- technologically innovative.

These authors (Morgan-Thomas and Veloutsou, 2013) expand further on the implications for online brand experiences. On the negative side, the virtual nature of the digital marketplace means there is a lack of physical cues and heightened challenges due to the intangibility of the environment and increased uncertainty of what engaging in an online experience will deliver. However, on the positive side, digital environments create opportunities for increased interactivity and real-time brand experiences, which can be empowering for the customer. Therefore, an online brand should seek to build links with customers by delivering positive online experiences, which then lead to satisfaction and positive intentions to interact with the brand in the future.

Consequently, positioning online brands requires marketers to think creatively about the traditional elements of a brand and also consider new elements:

- **Online brand domain:** where the brand competes, and the target market the brand serves. Online there are additional considerations, such as how customers and competitors recognise the brand. This is important due to the lack of physical cues. A company URL, e.g. **www.google.com**, helps with recognition and can ensure customer visits. Google has established and maintained its market-leading position in the search engine marketplace by following the company's mission to 'organize the world's information and make it universally accessible'. (Digital domain names are covered in more detail in Chapter 3).
- **Online brand heritage:** Lloyds Banking Group and Guinness are brands with heritage going back over 200 years. These firms gain competitive advantage through longevity, continuity and company resources gained over time. This long-term stability adds value to the brand (Paek *et al*., 2020), whereas for digital brands where use of the internet has only been possible on a commercial scale since 1989, brands must look for additional ways to develop their heritage. One way to do this is by offering genuine value. Online brands can get very close to their customers through use of digital technology and should seek to develop genuinely valuable relationships and find ways to reassure target markets of the potential heritage base value of the brand (Paek *et al*., 2020).
- **Online brand values:** the core characteristics users of the brand consider valuable. Digital brands can create value through engagement with customers and facilitate co-creation of brand value, which in turn can enhance brand loyalty and usage (Loureiro *et al*., 2017). eWOM, 'the exchange of product and brand-related marketing messages and meanings between two or more consumers without inducement by marketers', can be a powerful force for stimulating online consumer engagement (Kozinets *et al*., 2010). For example, Twitter is a digital brand, which has harnessed highly dynamic interactions to create brand value. A trending tweet can have far-reaching influence for consumers, businesses and governments. It is important for online brands to emphasise the benefits of engaging with the brand and also to develop a unique personality that is engaging and shareable (Brown, 2014).
- **Online brand assets:** distinctive names, symbols and images, which uniquely identify a brand and help to distinguish it from competitors (Tollington, 1998) such as Amazon's smile, Twitter's bird – symbols the brand has to help its users quickly identify and assimilate with the brand. Words too can be important, e.g. Mastercard's association with the word 'priceless'. These distinctive brand assets can be widely used in advertising and act as a shortcut to link brands with their customers (WARC, 2020). It is important to ensure that a company presents a standardised message at whatever touchpoint they interact with the online brand (Brown, 2014).
- **Online brand personality:** the character of the brand, which its customers use to determine the added value offered by the brand and also to express their own individual personalities through association with the brand (Valette-Florence *et al*., 2011). Brand personality refers to the symbolic meaning of a brand and associated characteristics, which determine a customer's perceptions of the brand online. For example, a brand may be considered as 'sophisticated' – Cafe Rouge; or 'sincere' – Nandos (Ankomah Opoku *et al*., 2007). Online brands need to understand their brands from the customer's perspective.

- **Online brand reflection:** how the customer perceives themselves as a result of buying the brand. Being authentic and transparent about what the brand stands for is important if an online brand is to create positive brand associations.
- **Online value proposition:** in Chapter 4 we explained that as part of digital strategy development, brands should consider how they can add value to their audiences through the types of interactive content and services that are offered.

We return to the concept of brand promise at the start of Chapter 7, since this is closely related to delivering customer experience.

Success factors for online branding: brand advocacy

In Chapter 1, we considered five classes of websites or parts of sites that support different organisational goals. Brand websites offer scope to achieve various marketing goals but it is important to recognise that all types of websites, including transactional sites, relationship-building sites, portals and social networks, should seek to provide a favourable brand experience. Brand websites offer scope to achieve various marketing goals, for example from raising awareness of new products and services, building relationships and customer retention. But whatever the actual goals, websites that ensure high levels of involvement, interactivity and a sense of control over the online experience for the site visitor are more likely to be successful than sites that do not offer such features (Voorveld *et al.*, 2009).

For the site itself, it is not the quantity of visitors that is important; rather it is about the quality of visitors, since brand sites are most likely to attract **brand advocates**, who can be important in influencing others to make them aware of the brand or to trial the brand.

Brand advocate
A customer who has favourable perceptions of a brand who will talk favourably about a brand to their acquaintances to help generate awareness of the brand or influence purchase intent.

Brand advocacy has become increasingly important online and involves advocates (e.g. satisfied customers, influencers) in '"standing up for" and speaking on behalf of the brand' (Wilk *et al.*, 2019, p. 419). In consumer markets, rapid increases in the speed and number of purchase decisions made have also led to an explosion in the use and influence of brand advocates. According to research, over 90 per cent of consumers trust online brand advocates, as opposed to 20 per cent for online advertisements (Geyser, 2020). Social media has revolutionised brand advocacy through widely connected platforms on which to share user-generated content, making it easy for shoppers to recommend and promote a brand online (Wilk *et al.*, 2021). According to Wilk *et al.*, online brand advocacy is multidimensional, having cognitive, affective and virtual visual cues as well as unique forms of online communication, which can be highly visual, have global reach and are more permanent than offline advocacy. This explains why many leading brands seek to encourage online brand advocacy through events, which stimulate consumer engagement, for example, Starbucks' #redcupcontest or Harley Davidson's product launch 'United We Ride', which invites customers to 'Join the Reveal' and be a part of an experience. Encouraging customers to join the excitement associated with the brand and then to share their experiences has not only led to incredible increases in the number of brand advocates but also creates a sense of belonging and customer loyalty (Wilk *et al.*, 2021). These researchers found in their study looking at brand advocacy not only that brand loyalty is a strong indicator of a customer's willingness to act as an advocate for a brand, but also that the advocates become more loyal and more connected to the brand as a result of publicly sharing their relationships with that brand.

Success factors for online branding: brand identity

Brand identity
The totality of brand associations, including name and symbols that must be communicated.

Aaker and Joachimsthaler (2000) highlighted the importance of a brand's individual and unique attributes, and also emphasised the importance of developing a plan to communicate the key features of the brand identity. **Brand identity** is again more than its name, according to Pareek and Harrison (2020) – it involves a brand as:

- a symbol (name, logo, symbols, slogans, and also any physical representation: packaging, presentation);
- a product (product attributes, quality, uses and users);
- an organisation (innovativeness, vision, company culture, social responsibility initiatives);
- a communication (advertising, positioning, celebrity endorsement, promotion, peer influence);
- a servicescape and experience (service environment, site, atmosphere, consumer feedback on experiences, reputation).

The importance of understanding the multiple dimensions of a brand's identity is to enable managers to assess their brands and determine whether each of the facets are contributing positively or negatively to a brand's identity.

Success factors for online branding: brand names for online brands

Research has found that the characteristics of the word chosen to represent a brand can influence consumer behaviour (Vitevitch and Donoso, 2011) and be linked to the propensity with which a buyer will engage with a brand. This study suggests that in order to increase the likelihood that a consumer will engage with a new brand, it should be easy to pronounce, have interesting arrangements of syllables and consonants so as to make the name easy to recall but should not be too similar to other words (thereby causing confusion with other brand names).

In essence, good brand names (Activity 5.2) are those that are easy to remember and pronounce but also have potential to catch the attention of customers (Brand Name Generator, n.d.).

In summary, effective online branding requires focus on the market opportunity and understanding the differential value offered, which can then be communicated using elements of the marketing mix. The next section explores in turn each of the elements of the digital marketing mix, beginning with product.

Activity 5.2 How to develop a new brand name

Purpose

To illustrate how non-words (those not recognised in everyday language) can be used as brand names.

Activity

Visit the Brand Name Generator at **https://www.squadhelp.com/business-name-generator**

Generate new brand names that you feel have potential as online brands. Evaluate your choice using the following criteria:

1. Easy to pronounce Y/N?
2. Easy to remember Y/N?
3. Intriguing word pattern (syllables and consonants) Y/N?
4. Has the potential to attract attention Y/N?
5. Not close to existing known word(s) Y/N?
6. Creates a feeling of trust Y/N?
7. Has an 'air' of professionalism Y/N?
8. Suitable top-level domains available Y/N?

Once you have a name that you feel has potential to be successful (more than five Ys), suggest some products that could fit with the name.

Product in a digital marketing context

Product variable
The element of the marketing mix that involves researching customers' needs, developing appropriate products and service products, and communicating their features and benefits.

Core product
The fundamental features of the product that meet the user's needs.

Extended product
Additional features and benefits beyond the core product.

The **product variable** of the marketing mix refers to characteristics of a product (tangible) as well as a service product (intangible). Product decisions should be informed by market research where customers' needs are assessed and the feedback is used to modify existing products or develop new products. There are many alternatives for varying the product in the digital context when a company is developing its digital marketing strategy; product decisions can usefully be divided into decisions affecting the **core product** and the **extended product**. The core product refers to the main product purchased by the consumer to fulfil their needs, while the extended or augmented product refers to additional services and benefits that are built around the core of the product. See Table 5.1 for examples of core and extended products. Defining products in the digital context can be complex, and much of the overall offer is delivered via digital media channels. However, many digital brands provide physical products – for example, Amazon (general merchandise, clothing, electronic goods and lots more), ASOS (clothing), Tesco (groceries and non-food goods) and Screwfix (DIY goods).

The main implications of digital technology for the product element of the mix are:

1. options for varying the core product;
2. options for offering digital products;
3. options for changing the extended product;
4. conducting research online;
5. speed of new product development;
6. speed of new product diffusion.

Table 5.1 Brands' core and extended products and service products

Brand	Core product	Extended product
Amazon Kindle	Kindle device, e-books	Kindle apps, digital forums, promotions, freebies
Deliveroo	Food delivery services	Community and food blogs, what's new, promotions, competitions, customer reviews
Google Search	Online information search	Web activity and privacy controls, search predictions, location services
YouTube	Video, audio	News feeds, trending topics, business services, creative support
Microsoft Corp	Software products	Product guides, advice centre, learning and training services, security services
Shutterstock	Photographs, graphics and art	Design templates, curated collections of images, resource hub
Apple News	Documents, news articles	Expert-curated selections of news, personalisation, privacy, no tracking by advertisers
Pearson Revel	Educational packages	Training and support packages, student support, user guides
Smart Insights	Professional services	Training in marketing skills, tailored content, e-learning guides
Ticketmaster	Ticket seller	Gift cards, events guides, apps
GoDaddy	Web services	SEO tools, marketing support, web security services
Zoom	Video communication	User guides, online education tutorials, customer support

1 Options for varying the core product (online)

For some companies, there may be options for new digital products that will typically be information products that can be delivered over the web. Originally, Ghosh (1998) talked about developing new products or adding 'digital value' to customers. The questions he posed still prove useful today:

- *Can I offer additional information or transaction services to my existing customer base*? For example, a fashion retailer can provide customer reviews and fashion previews. Karma is a brand built around providing information and personal digital shopping assistants (**www.karmanow.com**) to help save time and money when shopping online. A travel booking company like Opodo can provide information guides, video tours of resorts and feedback reviews from travellers of accommodation and facilities at a destination.
- *Can I address the needs of new customer segments by repackaging my current information assets or by creating new business propositions using the internet?* For example, many products can have accompanying e-books, videos and tutorials to inform customers. Fashion brand Rebecca Minkoff™ offered 'Connected Bags', which gave each item a digital identity in the cloud that, when accessed, unlocked exclusive offers, e-commerce services, private styling sessions with Rebecca, style recommendations, video content, an invitation to the following show and elite experiences to enjoy with lifestyle partners. It also automatically qualified the customer for a loyalty programme (Arthur, 2017).
- *Can I use my ability to attract customers to generate new sources of revenue such as advertising or sales of complementary products?* **Lastminute.com**, **booking.com** and **trivago.com** are digital brands that sell travel-related services, but also generate significant advertising revenue.
- *Will my current business be significantly harmed by other companies providing some of the value I currently offer?* Consider the consequences if competing companies digitally adapt their products in order to develop a stronger market offer and take advantage of the prevailing marketing environment. Online retail spend soared during the global pandemic, reaching the highest-ever percentage of retail sales in the United Kingdom, indicating an appetite for online purchasing. Fashion retailers ASOS, Next plc and **Very.com** focused on the changing market conditions and gained record sales through their sophisticated online operations, whereas Debenhams, Topshop, Peacock and Jaeger called in the administrators as they too struggled against market conditions but lost out to online competitors.

Some of the markets transformed most by the internet are those where products can be transformed into digital services, such as music (downloading or streaming of digital tracks), books (e-books), newspaper and magazine publishing (online access to articles), software, and videos and films (digital downloads and online subscription services). (See the chapter-end case study for a further discussion of subscription services.)

Mass customisation
A form of micro-segmentation, where firms use economies of scale enabled by technology to offer variants of products to individual customers or groups of customers (Pallant *et al*., 2020).

Digital technology also introduces options for **mass customisation** of products, particularly digital products or products that can be specified online. The internet has provided a channel through which manufacturers can not only sell the personalised products but also use the internet as a source of information for developing highly targeted products. For example, ASOS has revolutionised the way *fashionistas* shop in the United Kingdom (and around the globe). ASOS introduced the 'catwalk view', where fashion-hungry online shoppers can watch products being walked down the runway before they buy. The brand also sells fashionable clothing from a range of designers and its own in-house team. Its business model relies on quick turnover of 'on trend' fashion items to the mid and lower ends of the clothing market (see chapter-end case study in Chapter 4 for further discussion of ASOS).

Mass customisation (Davis, 1997; Pine, 1993) has previously been heralded as a business strategy, which derives benefits from the personalisation of products ranging from cars to training shoes. However, online mass personalisation often occurs today without the customer's knowledge: Amazon provides personalised product recommendations; Netflix offers

viewing suggestions based on past viewing history of films and programmes; and Spotify selects music playlists based on a listener's preferences.

Mass customisation will involve input from customers in creating product variants to satisfy individual customer needs (Pallant *et al.*, 2020). Customisation can be simple; **Moonpig.com**, **Funkypigeon.com** and **printed.com** offer customers the opportunity to create individual cards and gifts. A more complex customisation is offered by Nike By You, where the customer designs their own sports shoes (**https://www.nike.com/gb/nike-by-you**).

Companies can also consider how the internet can be used to change the range or combination of products offered. Some companies, such as fashion retailers, may only offer a subset of products online, whereas furniture retailers may use their website to expand their ranges and customer choice. **Bundling** is a further alternative, bringing together a range of products. Koukova *et al.* (2008) found that the internet has encouraged the bundling of information-based products, such as newspapers, books and music videos, in physical and digital formats. Sky Cinema has used this approach and the Disney Corporation has purchased Fox's film and TV assets to launch a new streaming service to rival Netflix (Barnes, 2017), and may bundle together digital services. The benefits for the sellers are that digital products provide opportunities to leverage advantage as there are marginal costs involved with supplying digital versions and considerable cost savings if customers switch to the digital offer. Therefore, the introduction of physical and digital product bundles offers much scope for new approaches to product delivery and pricing strategies (Koukova *et al.*, 2008).

Bundling
Bundling combines several product or service options into a package of services, typically at a discounted price.

Finally, websites and mobile apps provide a platform for providing information about the core features of the product. However, the availability of information can impact on price as the price has become more transparent. Comparison sites such as **Comparethemarket.com™** enable online shoppers to assess the price of car insurance, for example, from many suppliers in one location.

2 Options for offering digital products

Publishers, TV companies, media owners and other companies that can offer digital products such as published content, music or videos now have great flexibility to offer a range of product purchase options at different price points, including:

- **Subscription.** A recurring fee paid for goods and services. This is a traditional newspaper or magazine publisher revenue model, but subscription can potentially be offered for different periods (for example, three months, twelve months or two years) and at different price points. This business model is now used by many different product sellers, e.g. Bloom & Wild – **bloomandwild.com** (flowers and gifts); Abel & Cole – **abelandcole.co.uk** (food delivery boxes); and Gadget Discovery Club – **gadgetdiscoveryclub.com** (new gadgets and innovations).
- **Licensing.** Slightly different to subscriptions insofar as a licence is a payment made for a defined time period (usually a year) for a pre-agreed range of services. (See Digital marketing insight 5.1 for further discussion of subscription services.)
- **Pay-per-view.** A fee for a single download or viewing session at a higher relative price than the subscription service – for example, music products from iTunes. Customers can enjoy instant download in a similar way to a mobile company 'pay-as-you-go' model, e.g. Sky Sports Box Office – offers pay-per-view entertainment.
- **Bundling.** Different channels or content can be offered as individual products or grouped at a reduced price compared to pay-per-view.
- **Ad-supported content.** There is no direct price set here. Instead, the publisher's main revenue source is through adverts on the site (CPM display advertising on-site using banner ads and skyscrapers), a fixed sponsorship arrangement or CPC, which stands for 'cost-per-click' – more typical when using search ad network publishing, such as Google AdSense, which makes a significant contribution to Google's revenue.

Other options include affiliate revenue from sales on third-party sites or offering access to subscriber lists.

The digitisation of products presents opportunities to some industries and threats to others. Newspapers are an example of an industry where the internet has had a far-reaching impact. Most popular quality newspapers are now successfully using subscription-based business models to maintain their readership. Indeed, *The Guardian, The Daily Telegraph* and *The Independent* (popular UK newspapers) have a larger online readership than the equivalent print versions (Reid, 2014). However, the increase in fake news articles has revived interest in traditional media brands, in part due to many of these media brands having long-standing heritage and being more trusted than the newer digital brands (Moody, 2017).

3 Options for changing the extended product

When a customer buys a new computer or mobile phone it consists not only of the tangible product, and peripheral devices, but also the information provided by the salesperson, the instruction manual, the packaging, the warranty and the follow-up technical service. These are elements of the extended product. Chaffey and Smith (2017) suggest examples of how the internet can be used to vary the extended product:

- endorsements;
- awards;
- testimonies;
- customer lists;
- customer feedback;
- warranties;
- guarantees;
- money-back offers;
- customer service (see people, process and physical evidence);
- incorporating tools to help users during their selection and use of the product.

Digital marketing insight 5.1 — Zoom freemium products

Source: Cabeca de Marmore/Shutterstock

Zoom is an American communication technology company based in San Jose, California, which provides video and audio conferencing.

Video conferencing has been widely used in business markets for many years but less so in consumer markets. However, during the global COVID-19 pandemic in 2020,

Zoom became a popular choice for individuals around the world who wanted to keep in touch with relatives and friends, whom they were not allowed to visit in person, as well as for businesses, whose staff were told to work at home whenever possible. Zoom has different licensing and pricing options depending on the target market. These include both free and paid options, which are sometimes described as a freemium business model (as introduced in Chapter 2):

- **Basic service for personal meetings –** free, limited to 100 participants; up to 40 minutes and unlimited one-to-one meetings. Ideal for family and friend meetings. But for some groups, the 'freemium licence' with its time limits is not enough, so they can move to a paid licence.
- **Pro service for small teams** – an annual licence, which includes additional social media streaming, group meetings up to 30 hours and up to 1,000 participants, giving clubs and societies, for example, the opportunity to establish regular group meetings for multiple participants.
- **Business service** – again an annual licence, with the addition of recording services, managed domains and company branding, giving businesses the opportunity to communicate with staff, and hold meetings, conferences and sales meetings with customers.

Once customers are attracted to a site and have begun to learn about the brand, then the companies can offer freemium content (which, as the name suggests, is free) or sample content or trial products. Through providing freemium content, more customers will be encouraged to enter into a paid-for relationship with the organisation. In other cases, a premium may be charged for innovative new services – for example, at Amazon Web Services, offers for new (qualifying) customers include unlimited capacity for support of software, data migration, streaming and cloud computing services (**www.aws.amazon.com**).

4 Conducting research online

Digital channels provide many options for learning about product preferences and can be used as a relatively low-cost method of collecting marketing research, particularly when trying to discover customer perceptions of products and services. Sawhney *et al*. (2005) reviewed options for using digital media for new product innovation where they contrasted the traditional new-product research process with a digitally augmented co-creation process. They suggested that online research tools should be evaluated according to how they can be used: 1) front-end developments of ideation and concept against back-end developments involving product design and testing; and 2) the nature of collaboration – broad/high reach against deep/high richness.

Options for performing new-product development research online include:

- **Online focus group.** A moderated focus group can be conducted to compare customers' experience of product use. Many companies now have permanent customer panels they can use to ask about new ideas.
- **Online questionnaire survey.** These typically focus on the site visitors' experience, but can also include questions relating to products.
- **Social media listening.** Comments mentioned in social media can be added alongside customer feedback and support forums.
- **Customer feedback or support forums.** Comments posted to the site or independent sites such as social networks may give suggestions about future product innovation. Freshworks™ Freshchat messaging is a product that helps companies to use live chat to improve target marketing and lead conversion for businesses (**freshworks.com**). This

platform enables a company to communicate and collaborate both inside and outside the company. The platform also has the capacity to integrate with CRM, e-commerce and analytics systems.

- **Web analytics.** A wealth of marketing research information is also available from response data from email and search campaigns and the website itself, since every time a user clicks on a link offering a particular product, this indicates a preference for products and related offers. Such information can be used indirectly to assess customers' product preferences.

The use of online surveys has grown – SurveyMonkey and Qualtrics are examples of online brands that have continued to make advances in the level of sophistication of their online survey platforms, which can be tailored for use by individuals and organisations. Globally, the market research industry has grown in recent years and online surveys have made a substantial contribution to this growth. Online research can take many different forms and be delivered via various channels: web, email, apps, mobile. Now that nearly 60 per cent of the world's population has some form of access to the internet, gathering data can have a greater reach, crossing international boundaries if required (Kemp, 2020). Other positives of this form of survey are flexibility, speed and timeliness, and ease of data entry (Evans and Mathur, 2018). But there are some hurdles to overcome too: email invitations considered as junk mail and quickly deleted; sampling skewed towards the responding internet population; privacy issues over mass data collection; and low response rates. YouGov is a UK digital market research company that conducts international research using surveys and group analytic research. It works with many brands and has developed a daily brand tracker, YouGov BrandIndex. Taking advantage of the instantaneous nature of online surveys, YouGov is able to probe trends and opinions almost in real time (YouGov, 2021).

5 Speed of new product development

Digital channels give instant access to target markets and provide platforms, which enable new products to be developed more rapidly as it is possible to test new ideas and concepts and explore different product options through online market research. Companies can use their own panels of consumers to test opinion more rapidly and often at lower costs than for traditional market research. Another aspect of the velocity of new product development is that the network effect of the internet enables companies to form partnerships more readily in order to launch new products.

6 Speed of new product diffusion

In the early days of the internet, Quelch and Klein (1996) noted that to remain competitive, organisations would have to roll out new products more rapidly to international markets. Downes and Nunes (2013) examined product diffusion by looking at 'big-bang disruptions' and they suggested 'internet fads could "infect the whole world in a matter of days"'. Video game *Angry Birds* was downloaded 24 million times within a day of it becoming available. Their argument was that such market disruptors occur due to 'unencumbered development, unconstrained growth and undisciplined strategy'. Twitter was developed during a hackathon, which occurred during a technology conference, with minimal investment but it offered better performance than similar products and was widely adopted across the globe. Its innovative short-message format and hashtags facilitated user engagement, which enabled Twitter to quickly become the most-used microblogging platform (Chang, 2010).

Earlier, Malcolm Gladwell's book *The Tipping Point* (2000) emphasised the importance of word-of-mouth communication on the impact of the rate of adoption of new products, especially through the internet. He advises how marketers should help create a 'tipping point' for a new product or service – the moment when a domino effect is triggered and an epidemic of demand sweeps through a population like a highly contagious virus.

Tipping point
Using the science of social epidemics the tipping point explains principles that underpin the rapid spread of ideas, products and behaviours through a population.

Marsden (2004) provides a good summary of the implications of the **tipping point** for marketers. He says that 'using the science of social epidemics, *The Tipping Point* explains the three simple principles that underpin the rapid spread of ideas, products and behaviours through a population':

1. **The law of the few:** the spread of any new product or service is dependent on the initial adoption by 'connectors' who are socially connected and who encourage adoption through word of mouth and copycat behaviour. In an online context, these connectors may use personal blogs, email newsletters and podcasts to propagate their opinions.
2. **The stickiness factor:** attachment to characteristics and attributes of a product or a brand. Gladwell (2000) stresses the importance of testing and market research to make the product effective. Marsden (2004) suggests that there are certain cross-category attributes that are key drivers for product success:
   - Excellence: being perceived as best of breed;
   - Uniqueness: clear one-of-a-kind differentiation;
   - Engagement: fosters emotional involvement;
   - Cost: perceived value for money.
3. **The power of context:** Gladwell (2000) suggests that, like infectious diseases, products and behaviours spread far and wide only when they fit the physical, social and mental context into which they are launched, suggesting there is value for marketers in devising products tested to fit their context, situation or occasion of use.

In Chapter 9, we will see how marketers seek to influence this effect through what is known as 'viral marketing'.

Market opportunity for new products

Long tail concept
A frequency distribution suggesting the relative variation in popularity of items selected by consumers.

There are ideas that suggest the internet is reshaping market opportunities and that niche markets hold much value online. The **long tail concept** is an example. The phenomenon, now referred to as the 'long tail' following an article by Anderson (2004), was arguably first applied to human behaviour by George Kingsley Zipf, professor of linguistics at Harvard, who observed the phenomenon in word usage. He found that if the variation in popularity of different words in a language is considered, there is a systematic pattern in the frequency of usage or popularity. Zipf's 'law' suggests that if a collection of items is ordered or ranked by popularity, the second item will have around half the popularity of the first one and the third item will have about a third of the popularity of the first one and so on (Newitz, 2013). In general:

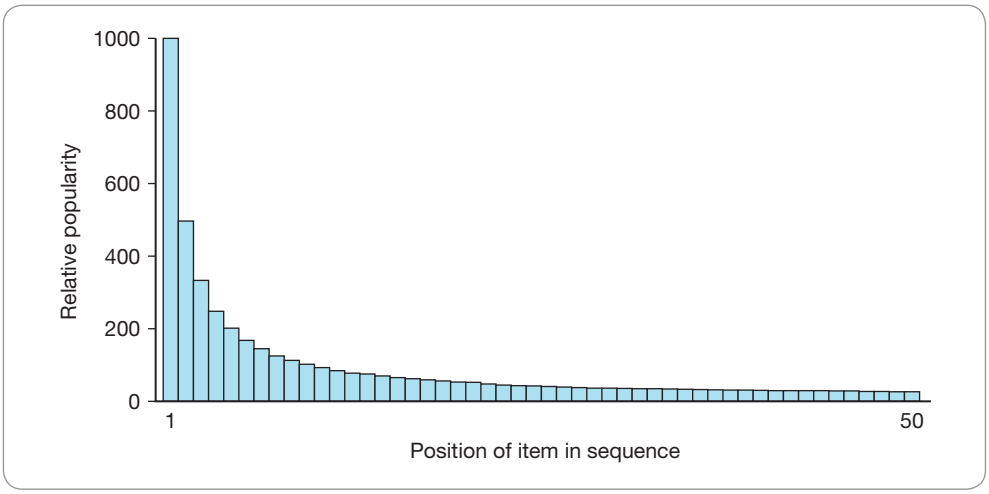
The kth item is 1/k the popularity of the first.

Look at Figure 5.2, which shows how the 'relative popularity' of items is predicted to decline, according to Zipf's law, from a maximum count of 1,000 for the most popular item to 20 for the 50th item.

In an online context, this 'law' can be applied to the relative popularity of a group of websites or web pages or products on an individual site, since they tend to show a similar pattern of popularity. There are a small number of sites (or pages within sites) that are very popular (known as 'the head', which may account for 80 per cent of the volume) and a much larger number of sites or pages that are less popular individually, but still collectively important. Returning to the product context, Anderson (2004) argued that for a company such as Amazon, the long tail (or Zipf's law) can be applied to describe the variation in preferences for selecting or purchasing from a choice of products as varied as books, smartphones, fitness devices, travel or financial services. This pattern has also been identified by Brynjolfsson *et al.* (2003, 2010), who presented a framework that quantifies the economic impact of increased product variety made available through electronic markets, and they suggest that the long tail approach is also useful for approximating market–sales relationships:

One reason for increased product variety on the Internet is the ability of online retailers to catalogue, recommend, and provide a large number of products for sale. For example, the

Figure 5.2 Zipf's law, showing decrease in popularity of items within an ordered sequence



number of book titles available at **Amazon.com** and Amazon's Kindle store has over 90,000 titles available, which is many times larger than the number of books on the shelves of a typical Barnes & Noble superstore, and the number of books stocked in a typical large independent bookstore.

Price in a digital marketing context

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

Pricing models
Describes the form of payment, such as outright purchase, auction, rental, volume purchases and credit terms.

The **price variable** of the marketing mix refers to an organisation's pricing policies, which are used to define **pricing models** and to set prices for products and services, which ultimately differentiate a brand. The internet has implications for pricing in many sectors. Original research suggested two approaches commonly adopted for pricing online: 1) startup companies tended to use low prices to gain a customer base; and 2) existing companies just transferred their existing prices to the web (Baker *et al.*, 2000; Xing *et al.*, 2006). However, as organisations are increasingly developing multichannel strategies in order to give their customers more opportunities to interact with brands, it becomes more difficult to justify online and offline pricing policies, especially in consumer markets. Currys PC World, for example, sells through multichannels and not only offers uniform pricing across its brands but also has an app that allows its users to search for products by keyword or barcodes, get instant pricing information, up-to-the minute stock availability, and also shop and manage orders and accounts (Dixons Carphone, 2019).

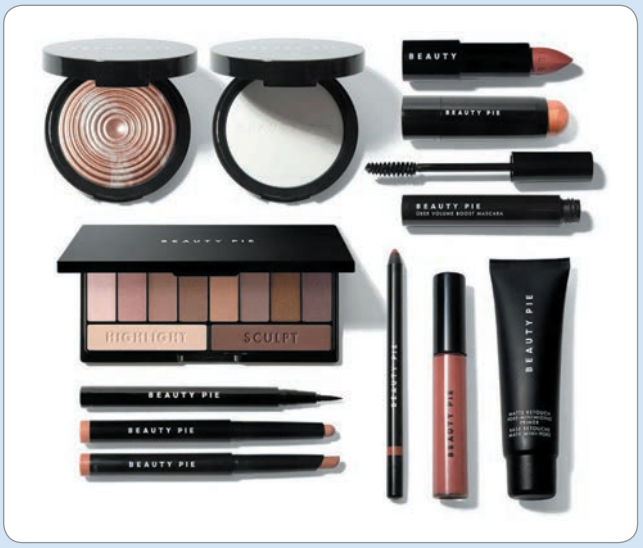
Airlines use revenue management systems and dynamic pricing models to generate maximum revenue. However, for companies selling goods and services, it is becoming harder to legitimise differential online pricing as this can reduce buyer confidence and trust. Trivago is an online brand that has created business out of price variations in the travel industry, and it not only shows consumers price comparisons for accommodation but also provides insights on pricing for hoteliers. The Trivago Hotel Price Index uses meta search on hotel pricing from over 400 other booking sites and compares over 2 million hotels and accommodation providers to track pricing fluctuations and trends. The index is a widely used source of information on accommodation pricing (**https://businessblog.trivago.com/trivago-hotel-price-index/**).

The pricing element of the mix invariably relates to the product element (even when the offer is a service), since online pricing depends on the range of products offered and the point in its lifecycle at which a product is. Extending the product range may allow these products to be discounted online. Some organisations have launched new products online

that have a lower price element; for example, banks have launched 'eSavings' products where higher interest rates are offered to online customers in order to attract new customers. Alternatively, they may offer insurance products with a 10 per cent online discount in order to encourage customers to switch to the digital channel. Often these agreements are dependent on the customer servicing their account online, which helps reduce the cost-base of the bank. This then relates to the service elements of the mix since service has to be delivered online.

New market entrants have also used price to differentiate their brand online. See Digital marketing insight 5.2 to see how Beauty Pie has created a new business model to sell cosmetics online.

Digital marketing insight 5.2 — Beauty Pie has created a luxury brand at discount prices



Source: Marcia Kilgore

Beauty pie sells luxury beauty products at lower prices than leading brands and is disrupting the beauty industry. Potential customers join the beauty product buyers' club to gain access to products from many of the world's leading third-party labs. By cutting out intermediaries and the cost associated with selling on the high street, and using plain environmentally friendly packaging, members are able to enjoy high-quality luxurious products at the lowest possible prices. Beauty Pie sells directly to the customers. Canadian founder Marcia Kilgore explains the concept, 'It's like a buyers' club for luxury beauty product addicts. You join and your membership is like an access pass to shop from the backdoor of many of the world's leading cosmetic and skincare suppliers without paying 1000% extra cost normally attributed to celebrity marketing, middlemen and retailer markups. It's a fairy tale for beauty junkies' (Young, 2018).

Beauty pie's innovative business model relies on price transparency and getting the best product to a customer at the price Beauty Pie pays the producer. The company then makes its income from the membership fees and at the same time builds a very loyal customer base. Customers can select different levels of membership from £5 a month to £99 a year and each type offers a different bundle of benefits, but all are based on making over 80 per cent on typical high-street prices.

Sources: Beauty Pie (2021); Young (2018)

The main implications of the internet for the price aspect of the mix, which we will review in this section, are:

1. increased price transparency and its implications on differential pricing;
2. price uncertainty;
3. innovative pricing approaches (including dynamic pricing, price testing and auctions);
4. alternative pricing structure or policies.

1 Increased price transparency

The internet has introduced consumers to increasing access to pricing information and in doing so has empowered them with more information on prices of goods and services (Hanna *et al.*, 2019). Quelch and Klein (1996) described two contradictory effects of the internet on price that are related to **price transparency**. First, a supplier can use the technology for **differential pricing** (for customers in different countries, for example). However, if precautions are not taken about price, the customers may be able to quickly find out about the price discrimination through price comparison and they will object to it. Indeed, there is an underlying change brought about by the internet, which means that buyers can be nearly as well informed about market prices as the sellers (Rossi and Chintagunta, 2016).

Price transparency
Customer knowledge about pricing increases, due to increased availability of pricing information.

Differential pricing
Identical products are priced differently for different types of customers, markets or buying situations.

Price elasticity of demand
Measure of consumer behaviour that indicates the change in demand for a product or service in response to changes in price. Price elasticity of demand is used to assess the extent to which a change in price will influence demand for a product.

Pricing online has to take into account the concept of **price elasticity of demand**. This is a measure of consumer behaviour based on economic theory that indicates the change in demand for a product or service in response to changes in price. Price elasticity of demand is determined by the price of the product, availability of alternative goods from alternative suppliers (which tends to increase online) and consumer income. A product is said to be 'elastic' (or responsive to price changes) if a small change in price increases or reduces the demand substantially. A product is 'inelastic' if a large change in price is accompanied by a small amount of change in demand.

Although, intuitively, we would think that price transparency enabled through the digital price comparison services such as **Shopping.com** (owned by eBay), which leads to searching by product rather than by store level, would lead to common comparisons of price and the selection of the cheapest product, the reality seems different. Pricing online is relatively inelastic. There are two main reasons for this: 1) pricing is only one variable – consumers also decide on suppliers according to other aspects of the brand, such as familiarity, trust and perceived service levels; and 2) consumers often display **satisficing behaviour**. The term 'satisfice' was coined by Herbert Simon in 1957 when he said that people are only 'rational enough' and that they suspend or relax their rationality if they feel it is no longer required. This is called 'bounded rationality' by cognitive psychologists. In other words, although consumers may seek to minimise some variable (such as price) when making a product or supplier selection, most may not try too hard. Online, this is supported by research (Allan, 2012; Johnson *et al.*, 2004), which has shown that shoppers visit a number of web stores before making their purchase decisions. As choice and interest in buying online has grown, in line with the proliferation of online business, the number of sites consulted has grown significantly during the last decade. In the travel industry it has been suggested that as many as 38 websites might be visited before choosing a hotel room. However, consumers currently visit around four to five websites on average when making travel choices but they are also likely to consult social media and customer reviews before making their final purchase decision (DiMiao, 2017). This reduction can be explained by the growth in the number of intermediaries (e.g. **booking.com**, **laterooms.com**, **trivago.com**), which act as a portal for tens of thousands of holiday accommodation providers and destinations. The number of sites and digital information sources can also vary depending on the product or service being sought. Such services can help in consumer decision-making as the consumer can feel they are sufficiently informed about pricing options to make a choice (Hanna *et al.*, 2019).

Satisficing behaviour
Consumers do not behave entirely rationally in product or supplier selection. They will compare alternatives, but then may make their choice given imperfect information.

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

Commoditisation
The process whereby product selection becomes more dependent on price than on differentiating features, benefits and value-added services.

Retailers or other transactional e-commerce companies operating in markets where their products are readily reviewed online need to review their strategy towards the impact of **aggregators**, which facilitate price comparison. One strategy for companies in the face of increased price transparency is to highlight the other features of the brand – such as the quality of the retail experience, fulfilment choice or customer service – to reduce the emphasis on cost as a differentiator. Another strategy is to educate the market about the limitations in aggregators, such as incomplete coverage or limited information about delivery or service levels.

Arguably, this conflict shows the importance of companies that are featured within aggregators possessing a strong brand that can offer additional value in terms of customer service or trust. It also shows the continuing importance of offline advertising in shaping consumer perceptions of brands and driving visitors directly to a destination site.

For business commodities, auctions on business-to-business exchanges can also have a similar effect of driving down price. Purchase of some products that have not traditionally been thought of as commodities may become more price sensitive. This process is known as **commoditisation**. Examples of goods that are becoming commoditised include electrical goods, cars and even cut flowers (Lu *et al*., 2016).

2 Price uncertainty

Closely connected to price transparency, a price uncertainty influences when and how consumers buy. When unaware of the market price of an item, shoppers use information sources to develop knowledge of the degree of price variability before making their purchase decisions (Stigler, 1961).

Comparing prices online to reduce uncertainty has a cost in terms of time, and many online aggregators or comparison sites have benefited from this underlying behaviour in price-based decision-making (e.g. **skyscanner.net** aggregates prices in the airline travel industry and **booking.com** in hotel accommodation). The complexity of the product can also have an influence and customers are not always able to feel confident they have found the best price online so seek advice from real people, for example estate agents or insurance agents (Hanna *et al*., 2019).

When setting prices to attract customers, variability is a pricing tactic used to reduce uncertainty and any potential impact over making an *incorrect* purchasing decision. Variability in pricing can mean:

- **High variability:** Uber uses surge pricing based on demand; when demand for ride-sharing services is high then prices are high but when demand is low prices fall. Price elasticity of demand assesses the extent to which a change in price will influence the demand for a product. It is calculated as the change in quantity demanded (expressed as a percentage) divided by the change in price as a percentage. Different products will naturally have different coefficients of price elasticity of demand depending on where they lie on the continuum of consumer tastes, from relatively undifferentiated commodities to luxury, highly differentiated products where the brand perception is important.
- **Low variability:** everyday low pricing (EDLP). This approach is used by discounters in many consumer-facing industries, for example ALDI, Lidl, ASDA, Amazon, Ryanair.

When setting pricing strategies online, both price transparency and uncertainty should be taken into account as this will influence the extent to which customers are able to find sufficient information to make a buying decision. And sellers can also determine whether there is a need for real people to aid the process or whether apps, websites and other digital

information services can give the reassurances needed (Hanna *et al.*, 2019). When setting prices, managers should consider various approaches towards pricing and the extent to which the market segments they serve are willing to search out pricing information. Southwest Airlines' strategy is to provide extensive price information, which has benefited sales for the brand. Kayak, an online travel agency, has added to its price transparency by adding price alerts and price forecasting tools to enable travellers to choose the time of purchase to get the best prices (Hanna, *et al.*, 2019).

Other factors companies should be aware of to assist in pricing are (Baker *et al.*, 2000):

1. **Precision** – each product has a price-indifference band, where varying price has little or no impact on sales.
2. **Adaptability** – online it is possible to respond more quickly to the demands of the marketplace. For example, it may be possible to dynamically alter prices in line with demand. **Tickets.com** adjusts concert ticket prices according to demand and has been able to achieve 45 per cent more revenue per event as a result.
3. **Segmentation pricing** means setting different prices based on customer groupings. Many businesses use this technique and precisely define products for certain group profiles. Amazon targets high-income families interested in the environment with its Whole Foods stores.
4. **Premium pricing** (or skimming the market) involves setting a higher price than the competition to reflect the positioning of the product as a high-quality item.
5. **Penetration pricing** is when a price is set below the competitors' prices to either stimulate demand or increase penetration. This approach was commonly used by **dot.com** companies to acquire customers. The difficulty with this approach is that if customers are price-sensitive then the low price has to be sustained – otherwise customers may change to a rival supplier. This has happened with online banks – some customers regularly move to reduce costs of overdrafts, for example. Alternatively, if a customer is concerned by other aspects such as service quality, it may be necessary to create a large price differential in order to encourage the customer to change supplier.

Since the internet has become a more mainstream shopping channel, consumers are tending to focus more on the quality of the services provided rather than the price, in much the same way as they do when buying products in the physical world.

Forward auctions
Item purchased by highest bid made in bidding period.

Reverse auctions
Item purchased from lowest-bidding supplier in bidding period.

Offer
A commitment by a trader to sell under certain conditions.

Bid
A commitment by a trader to purchase under certain conditions.

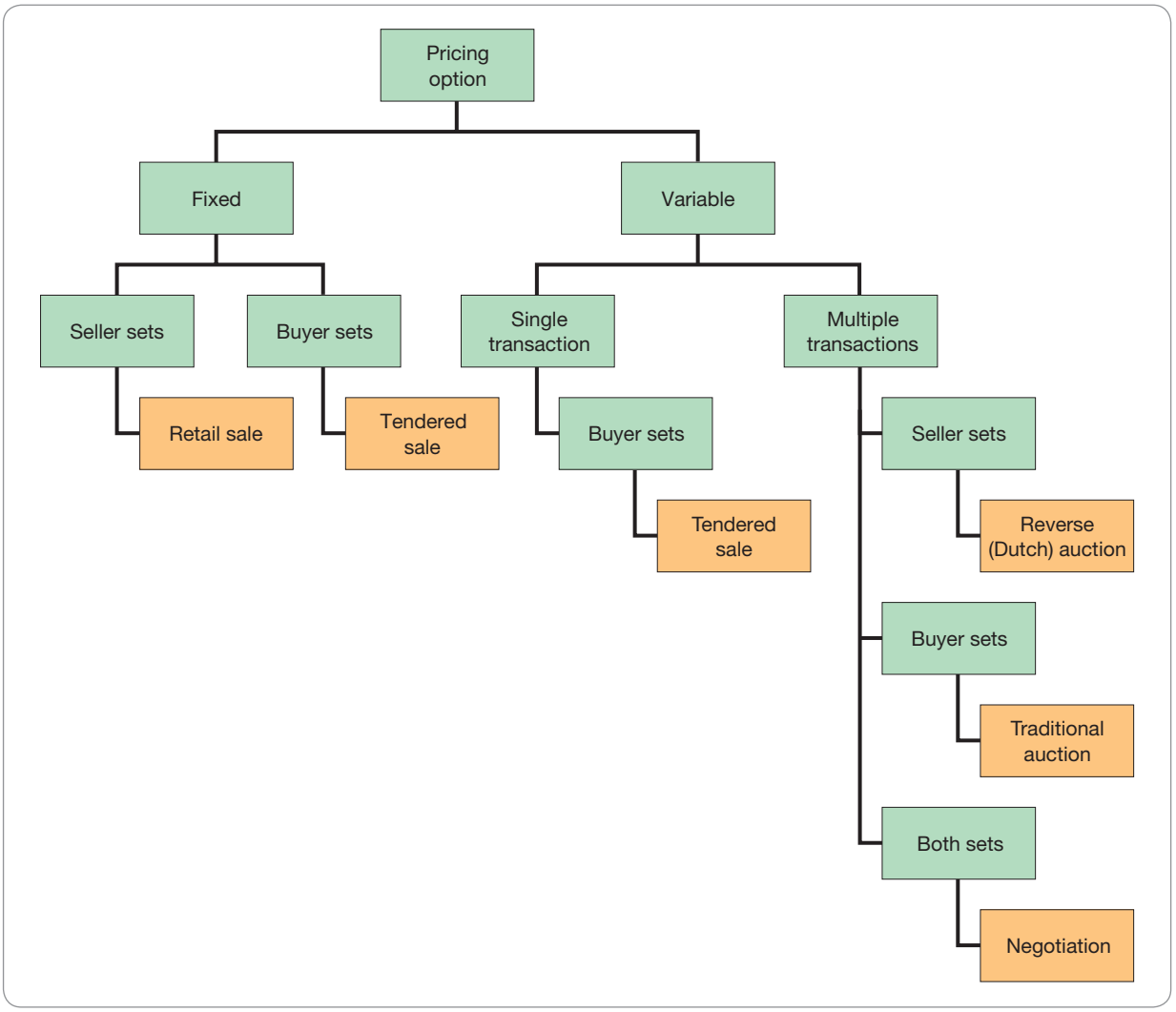
Request for proposal (RFP)
A formal request sent to potential sellers from a buyer who is looking to procure products or services.

3 Innovative pricing approaches

The internet has proved to have the technological capacity to create new pricing options. Figure 5.3 summarises different pricing mechanisms, which have been used effectively online. While many of these were available before the advent of the internet and are not new, the internet has made some models easier to apply. In particular, the volume of users makes traditional or **forward auctions** (B2C) and **reverse auctions** (B2B) more tenable – these have become more widely used than previously.

An **offer** is a commitment by a trader to sell under certain conditions, such as a minimum price. A **bid** is made by a trader to buy under the conditions of the bid, such as a commitment to purchase at a particular price. In a sealed-bid arrangement, suppliers submit their bids in response to a **request for proposal (RFP)** posted to a website at a set time. In an open-bid arrangement, suppliers bid sequentially through a series of product lots or sub-groups and can view their competitors' bids and respond in real time. A moving end-time (a 'soft close') is used for each lot, which means that any bid within the last minute of the closing time automatically extends the end time for a few minutes to allow other bidders to respond.

Figure 5.3 Alternative pricing mechanisms



Price testing and dynamic pricing

Dynamic pricing
Prices can be updated in real time according to the type of customer or current market conditions.

The internet introduces new opportunities for **dynamic pricing** – for example, new customers could automatically be given discounted purchases for the first three items. Care has to be taken with differential pricing since established customers will be unhappy if significant discounts are given to new customers. Amazon trialled such a discounting scheme and it received negative press and had to be withdrawn when people found out that their friends or colleagues had paid less. If the scheme had been a clear introductory promotion this problem may not have arisen.

Shipping fees

The setting of shipping fees can have a dramatic effect on both conversion rates and profitability, according to research completed by Lewis *et al.* (2006). They note the popularity of free shipping offers when the basket size is above a certain amount, but also note that it can potentially cause profitability to fall if it is not set at the right level. They also suggest that different shipping fees could potentially be offered to different segments. Shipping fees can also be varied according to the time it takes for items to be delivered.

One further approach with innovation in treatment of shipping fees is to offer a loyalty programme in return for free express shipping – the basis of the Amazon Prime programme.

4 Alternative pricing structure or policies

Different types of pricing may be possible on the internet, particularly for digital, downloadable products. Software and music have traditionally been sold for a continuous right to use. As explained in more detail in the section on product, the internet offers new options such as payment per use, rental at a fixed cost per month, a lease arrangement and bundling with other products.

Further pricing options that could be varied online include:

- basic price;
- discounts;
- add-ons and extra products and services;
- guarantees and warranties;
- refund policies;
- order cancellation terms.

As a conclusion to the section on pricing, we summarise the research by Baye *et al.* (2007), which has many interesting examples of innovative online pricing approaches. They recommend that online retailers should ask the following questions when reviewing pricing online:

- **How many competitors are there at a point in time?** They suggest a product's markup should be increased when the number of rivals falls and decreased when the number of rivals increases. They also recommend that since the identity of competitors online will differ from traditional offline rivals, it is important to include key online competitors.
- **What is the position in the product lifecycle?** A product's markup should be decreased over its lifecycle, or when new versions are introduced.
- **What is the price sensitivity or elasticity of a product?** They suggest continuously experimenting to learn from changes in the price sensitivity of a product.
- **At what level is pricing set?** The optimal markup factor should be applied at the product level rather than category or firm level, based on price testing at the product level. They also note the variation of conversion rates and click-through fees from paid search engines and aggregators at the category or product level, which makes it important to have micro-management of pricing.
- **Are rivals monitoring my price?** Be unpredictable if rivals are watching; exploit 'blind spots' if rivals are not watching.
- **Are we stuck in the middle?** A middle pricing point is suboptimal, particularly if prices can be set to target the lowest point in the market.

Place, channels and distribution in a digital marketing context

Place variable
The element of the marketing mix that involves distributing products to customers in line with demand and minimising cost of inventory, transport and storage.

The **place variable** of the marketing mix refers to how the product is distributed to customers. Typically, for offline channels, the aim of place is to maximise the reach of distribution to achieve widespread availability of products while minimising the costs of inventory, transport and storage. In an online context, thanks to ease of navigating from one site to another, the scope of place is less clear since place also relates to promotion and partnerships. Take the example of a retailer of mobile phones: for this retailer to reach its potential audience to sell and distribute its product, it has to think beyond its own website to third-party websites where it can promote its services. Successful retailers are those that maximise their representation or visibility on third-party sites that are used by their target audiences. For this example, these third-party sites will include search engines, online portals reviewing mobile phones and product comparison sites.

Table 5.2 Different places for virtual marketplace representation

Place of purchase	Examples of sites
A Seller-controlled	• Vendor sites, i.e. home site of organisation selling products or services – e.g. **Amazon, Wayfair, Made.com**
B Seller-oriented	• Intermediaries controlled by third parties to the seller such as distributors and agents – e.g. Opodo (**www.opodo.com**), which represents the main air carriers, and Amazon marketplace, where third parties can sell products
C Neutral	• Intermediaries not controlled by buyer's industry • Comparison sites – e.g. uSwitch (**www.uswitch.com**) in the energy industry
D Buyer-oriented	• Discount sites for consumers such as voucher code sites – e.g. **www.myvouchercodes.com**, and cashback sites – e.g. Quidco (**www.quidco.com**)
E Buyer-controlled	• Website procurement posting or reverse auctions on company's own site, e.g. **www.Maistro.com** enables businesses to post tenders for projects in marketing and other sectors

The main implications of digital for the place aspect of the mix reviewed in this section are:

1. place of purchase (see options shown in Table 5.2);
2. new channel structures;
3. channel conflicts;
4. virtual organisations.

1 Place of purchase

Suggesting the concept of place in relation to the internet may seem peculiar, but as it is a global virtual environment that crosses geographical boundaries, the issues associated with distribution, logistics and the point at which sales and other transactions take place are important for digital marketers. For example, when selling physical goods there are cost and time issues associated with fulfilment (local, regional and international) together with issues of trust, culture and local support networks. However, in the case of sellers of digital products there is no physical limitation on fulfilment. For example, Netflix and iTunes™ have proved successful in offering their services worldwide.

Early research (Evans and Wurster, 1999) argued that there are three aspects of 'navigational advantage' that are key to achieving competitive advantage online and are still relevant today. Each relate to the place element of the mix:

1. **Reach** – the number of customers a business can connect with via online channels.
2. **Richness** – the depth or detail of information that is both collected about the customer and provided to the customer. The latter is related to the richness of product information and how well it can be personalised to be relevant to individual needs.
3. **Affiliation** – this refers to whose interest the selling organisation represents – consumers' or suppliers' – and stresses the importance of forming the right partnerships. This particularly applies to retailers. The authors suggest that successful online retailers will reward customers who provide them with the richest information on comparing competitive products.

Syndication
Content or product information is distributed to third parties. Online this is commonly achieved through standard XML formats such as RSS.

Syndication

Traditionally, **syndication** referred to articles or extracts from books being included in other publications such as newspapers and magazines. In an online context, this practice relates to place and partnerships, and needs to be reviewed for online content owners, since there

may be opportunities to generate additional revenue by re-publishing content on third-party sites through feeds, widgets or data exchange, or it may be possible to increase exposure on partner sites and so generate awareness or visits to the company site.

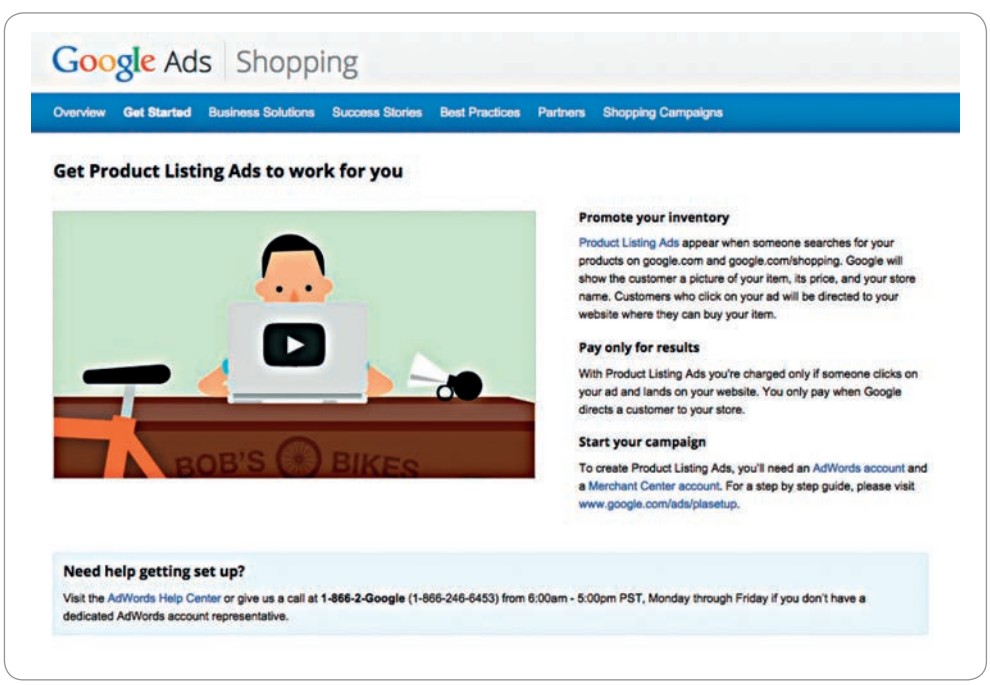
Care should be taken when using syndication as it also has implications for other companies, and in particular retailers, since syndication of information from their product catalogues to third-party aggregators is important to extend their reach. Retailers need to consider participating in Google Shopping so that Product Listing Ads (PLAs, Figure 5.4) are displayed to increase awareness (see Chapter 9, the section on search marketing).

Integrating product data with a range of aggregators can be time-consuming. Channeladvisor (**www.channeladvisor.com**) provides e-commerce solutions to help retailers and brands to handle shipping and fulfilment in one place.

Payment mechanisms – purchase place

Traditionally, online purchase would occur at the retailer through a partnership with an online secure payment provider such as Worldpay™ (**www.worldpay.com**). Effectively, the purchase transaction occurs on a different domain, but it is important that customers are reassured that the payment process is secure and seamless. Retailers often offer payment mechanisms where the purchaser has already set up payment with another payment provider, such as PayPal (**www.paypal.com**). This approach can assist with reassurance about privacy and security, and increase purchase convenience and choice for the user, so these options also have to be reviewed. Currently, the development of mobile internet technology and smart devices means online payment can happen almost anywhere. Alipay and WeChat Pay payment via social media platforms are examples of the variety of emerging mobile payment services. While mobile payment services have increased flexibility of where and when we buy, fears about such issues as money safety and privacy invasion have increased. Mobile payment service providers need to ensure high levels of trust and quality of service if they are to develop long-lasting relationships with customers (Cao *et al.*, 2018).

Figure 5.4 Google Shopping™ (**www.google.com/shopping**)



Source: Courtesy of Google LLC

Localisation

Localisation
Tailoring of website information for individual countries or regions. Localisation can include simple translation, but also cultural adaptation.

Providing a local site, with or without a language-specific version and additional cultural adaptations, is referred to as **localisation**. A site may need to support customers from a range of countries with:

- different product needs;
- language differences;
- cultural adaptation.

Further approaches used for cultural adaptation and localisation are described in Chapter 7 in the section on localisation.

2 New channel structures

New channel structures enabled by the internet have been described in detail in Chapters 2 and 4. The main types of phenomena that companies need to develop strategies for are:

- **Disintermediation.** Digital marketers should ask themselves the question: is there an option for selling direct? But they should also remember that selling direct can lead to channel conflicts (mentioned in the next section).
- **Reintermediation.** The new intermediaries created through reintermediation described by Sarkar *et al*. (1996) should be evaluated for suitability for partnering in affiliate arrangements – e.g. Kelkoo, which receives a commission on each click or sale resulting from a referral from its site.
- **Countermediation.** Countermediation refers to the strategic options to make better use of online intermediaries, such as through partnering with independent intermediaries, purchasing or creating an independent intermediary. For example, a group of European airlines have joined forces to form Opodo (**www.opodo.com**), which is intended to counter independent companies such as **Lastminute.com** (**www.lastminute.com**) and eBookers (**www.ebookers.com**) in offering discount fares.

When considering channel structures it is important to remember that there may be implications for the physical distribution channel – e.g. grocery retailers have had to identify the best strategy for picking customers' goods prior to home delivery. Options include in-store picking (selection of items on customer orders) and regional picking centres. The former is proving more cost-effective.

3 Channel conflicts

A significant threat arising from the introduction of an internet channel is that while disintermediation gives a company the opportunity to sell direct and increase profitability on products, it can also threaten distribution arrangements with existing partners. Such channel conflicts were originally described by Frazier (1999), and need to be carefully managed, particularly where brands and manufacturers offer an exclusive, or highly selective, distribution approach and operate in international markets or widely dispersed territories. Channel conflicts are bound up in the 'nature of power that is exercised by one channel member over others' (Moore *et al*., 2004).

Further channel conflicts involve other stakeholders, including sales representatives and customers. For many B2B purchases, sales representatives remain an essential method of reaching the customer to support them in the purchase decision. Here, following training of sales staff, the internet can be used as a sales support and customer education tool. Business development representatives may use LinkedIn Sales Navigator as part of 'social selling' to learn more about the individuals they are selling to, gaining insight on their background and aspirations.

To assess channel conflicts it is necessary to consider the different forms of channel the internet can take. These are:

- a communication channel only;
- a distribution channel to intermediaries;
- a direct sales channel to customers;
- any combination of the above.

To avoid channel conflicts, the appropriate combination of channels must be arrived at and the source of the conflict identified. For example, Frazier (1999) noted that using the internet as a direct sales channel may not be wise when a product's price varies considerably across global markets. Frazier suggests that in some situations it may be best to use the internet as a communication channel only.

Digital channel strategy will, of course, depend on the existing arrangements for the market. If a geographical market is new and there are no existing agents or distributors, there is unlikely to be channel conflict in that there is a choice of distribution through the internet only or appointments of new agents to support internet sales, or a combination of the two. Often SMEs will attempt to use the internet to sell products without appointing agents, but this strategy will only be possible for retail products that need limited pre-sales and after-sales support. For higher-value products such as engineering equipment, which will require skilled sales staff to support the sale and after-sales servicing, agents will have to be appointed.

For existing geographical markets in which a company already has a mechanism for distribution in the form of agents and distributors, the situation is more complex and there is the threat of channel conflict. The strategic options available when an existing reseller arrangement is in place have been described by Kumar (1999):

- **No internet sales.** Neither the company nor any of its resellers makes sales over the internet. This will be the option to follow when a company, or its resellers, feels that the number of buyers has not reached the critical mass thought to warrant the investment in an online sales capability.
- **Internet sales by reseller only.** A reseller who is selling products from many companies may have sufficient aggregated demand (through selling products for other companies) to justify the expense of setting up online sales. The manufacturer may also not have the infrastructure to fulfil orders direct to customers without further investment, whereas the reseller will be set up for this already. In this case it is unlikely that a manufacturer would want to block sales via the internet channel.
- **Internet sales by manufacturer only.** It would be unusual if a manufacturer chose this option if it already had existing resellers in place. Were the manufacturer to do so, it would probably lead to lost sales as the reseller would perhaps stop selling through traditional channels.
- **Internet sales by all.** This option is arguably the logical future for internet sales. It is also likely to be the result if the manufacturer does not take a proactive approach to controlling internet sales.
- **Franchising.** This mode of channel management creates opportunities for a manufacturing brand to establish a franchising business where the reseller has an exclusive contract with rights to sell in particular areas. For example, LocalEats helps franchisees to launch their own local food-ordering company with all the support of the original franchisor.

Businesses will need to review the channel options constantly to ensure they remain viable and competitive.

4 Virtual organisations

Benjamin and Wigand (1995) stated that 'it is becoming increasingly difficult to delineate accurately the borders of today's organisations', and a further implication of the introduction of electronic networks such as the internet is that it becomes easier to outsource aspects

of the production and distribution of goods to third parties. This can lead to the boundaries within an organisation becoming blurred. Employees may work in any time zone, and customers are able to purchase tailored products from any location. The absence of any rigid boundary or hierarchy within the organisation should lead to a company becoming more responsive, cost effective, flexible and having a greater market orientation. SaaS marketing-related businesses such as the social media management tool Buffer (see Case study 6) and the marketing project management tool Basecamp have used the virtual organisation model for many years. The global COVID-19 pandemic enforcing the need to work from home (WFH) as part of lockdown restrictions has accelerated the move to working practices typical of virtual organisations.

Research (Kraut *et al.*, 1998; Bahcecik *et al.*, 2019) has suggested the following features of a **virtual organisation**:

Virtual organisation
A virtual organisation uses information and communications technology to allow it to operate without clearly defined physical boundaries between different functions. It provides customised services by outsourcing production and other functions to third parties.

- Processes transcend the boundaries of a single form and are not controlled by a single organisational hierarchy.
- Production processes are flexible, with different parties involved at different times.
- Parties involved in the production of a single product are often geographically dispersed.
- Given this dispersion, coordination is heavily dependent on telecommunications and data networks.

All companies tend to have some elements of the virtual organisation. The process whereby these characteristics increase is known as **virtualisation**. Malone *et al.* (1987) argued that the presence of electronic networks tends to lead to virtualisation since they enable the governance and coordination of business transactions to be conducted effectively at lower cost.

Virtualisation
The process whereby a company develops more of the characteristics of a virtual organisation.

One aspect of virtualisation is that companies should identify opportunities for providing new services and products to customers looking to outsource their external processes. The effect of this is that it may offer companies opportunities to outsource some marketing activities that were previously conducted in-house. For example, marketing research to assess the impact of a website can now be conducted in a virtual environment by an outside company rather than by having employees conduct a focus group.

At a more practical level, electronic partnerships can be used to deliver the entire marketing mix referenced in this chapter through standardised data exchange interfaces, which include:

- advertising through paid search networks (e.g. Google Ads);
- promoting services through feeds on price comparison search engines (e.g. Kelkoo or Google Shopping);
- promoting services through affiliate networks (e.g. CJ Affiliate™) or advertising networks (e.g. Google AdSense™ publishers programme);
- procuring expertise for short-term digital marketing work through an online web skills marketplace such as Guru™ (**www.guru.com**) and Upwork™ (**www.upwork.com**);
- use of secure payment system services such as PayPal or Google Pay™;
- analysis of web performance through online web analytics services (e.g. Google Analytics™).

Promotion and social media in a digital marketing context

Promotion variable
The element of the marketing mix that involves communication with customers and other stakeholders to inform them about the product and the organisation.

The **promotion variable** of the marketing mix refers to how marketing communications are used to inform customers and other stakeholders about an organisation and its products.

The internet and digital marketing techniques are highly important and have significant implications for marketing communication planning and for this reason digital promotions are covered in depth in Chapters 8 and 9. In this chapter the aim is to briefly outline the core components of promotion.

According to Jobber and Ellis-Chadwick (2020), 'Good communications are the lifeblood of successful market-oriented companies and their brands. But creating good

communications presents many challenges.' Digital technology is changing the way individuals and business communicate, the channel through which they communicate and the number of touchpoints encountered. Modern businesses are developing more integrated approaches towards the use of communications tools in order to maximise the opportunities to deliver messages to their target audiences. The main elements of the promotional mix a business might use to communicate, and their online equivalents summarised by Chaffey and Smith (2017), are shown in Table 5.3.

Specification of the promotion element of the mix is usually part of a communications strategy. This will include selection of target markets, positioning and integration of different communications tools. The internet offers an additional marketing communications channel to inform customers of the benefits of a product and assist in the buying decision. Here are some different approaches for looking at how the internet can be used to vary the promotion element of the mix:

1. reviewing new ways of applying each of the elements of the communications mix – such as advertising, sales promotions, PR and direct marketing;
2. assessing how the internet can be used at different stages of the buying process;
3. using promotional tools to assist in different stages of customer relationship management, from customer acquisition to retention. In a web context this includes gaining initial visitors to the site and gaining repeat visits using a number of communications techniques, such as:
   - reminders in traditional media campaigns of why a site is worth visiting – such as online services and unique online offers and competitions;
   - direct email reminders of site proposition – new offers;
   - frequently updated content – including promotional offers or information that helps your customer do their job or reminds them to visit.

The promotion element of a marketing plan also requires three important decisions about investment for the online promotion or the online communications mix (discussed further in Chapter 8):

- **Investment in site promotion compared to site creation and maintenance.** Since there is often a fixed budget for site creation, maintenance and promotion, the e-marketing plan should specify the budget for each to ensure there is a sensible balance and the promotion of the site is not underfunded.

Table 5.3 The main elements of the promotional mix

Communications tool	Online implementation
Advertising	Display ads, including programmatic ad-buying (see Chapter 9), pay-per-click search advertising, targeted ads in social networks
Selling	Virtual sales staff, site merchandising, assisted selling (including live chat) and affiliate marketing
Sales promotion	Incentives such as coupons, rewards, online loyalty schemes
Public relations	Online PR and influencer outreach, blogs, e-newsletters, newsletters, social networks, links and viral campaigns
Sponsorship	Sponsoring an online event, site or service
Direct mail	Opt-in email using e-newsletters and focused 'solus' emails
Exhibitions	Webinars, virtual exhibitions and white-paper distribution
Merchandising	Promotional ad-serving on retail sites, personalised recommendations and email alerts
Packaging	Virtual tours, real packaging displayed online
Word of mouth	Social, viral, affiliate marketing, email a friend, links

- **Investment in online promotion techniques in comparison to offline promotion.** A balance must be struck between these techniques. Typically, online promotion investment now exceeds that for offline promotion.
- **Investment in different online promotion techniques.** For example, how much should be paid for display, search or social media ads.

People, process and physical evidence in a digital marketing context

The people, process and physical evidence elements of the mix are closely related and often grouped as 'the service elements'. They are significant since the level of perceived service will impact on a customer's loyalty and the probability of their recommending the service. Since this issue is closely related to the online customer experience, we also look at issues of website performance and response to customer emails in Chapter 7, including review of frameworks such as WEBQUAL and E-SERVQUAL for assessing service effectiveness.

Online there are two distinct considerations when looking at the service elements of the marketing mix. The first is the extent to which each of the service elements offers new potential to vary the online offer. The second is the disruptors: new types of services business that have altered the way we do things.

1 **Digital potential of the online service mix**
Rayport *et al*. (2005) identified key management considerations when combining technology and human assistance in the service delivery context. We have added some typical examples of applications for each type:
   - **Substitution.** Deploying technology instead of people (or the opposite situation), for example:
     - frequently asked questions section on a website;
     - chatbot or avatar offering answers to questions, as in the IKEA 'Ask Anna' feature, which uses artificial intelligence and connects to all of the products in the brand's ranges;
     - automated email response or a series of 'Welcome' emails educating customers about how to use a service;
     - using video to demonstrate products online.
   - **Complementarity.** Deploying technology in combination with people, for example:
     - call-back facility where the website is used to set up a subsequent call from a contact centre;
     - online chat facility and live chat – the user chats through exchanging text messages on the website are used for improving responsiveness of a company's online customer service;
     - an employee using a Wi-Fi-enabled hand-held device to facilitate easy rental-car returns.
   - **Displacement.** Outsourcing or 'off-shoring' technology or labour, for example:
     - a fast-food chain centralising drive-through order taking in a remote call centre;
     - the online chat or call-back systems referred to above can be deployed at a lower cost through outsourcing.

2 **Service disruptors**
According to Furunes and Mkono (2019), the sharing economy is often referred to as 'collaborative consumption', which has impacted across many service sectors. Digital technology has connected individuals and business in new and exciting ways to facilitate a level of interaction and sharing to a level not previously possible. Airbnb has changed accommodation booking; Uber and Lyft have changed personal transport and delivery; Deliveroo, UberEats and DoorDash have changed food service delivery; and each of these

examples also highlights the role of other important service-related concepts, which have enabled use of underutilised resources and affected perceptions of service quality:

- Value co-creation (Camilleri and Neuhofer, 2017) through a 'reciprocal and mutually beneficial relationship' (Vargo and Lusch, 2004). Shifting demographics of online generations has seen a rise in the importance of different types of benefits from customer service encounters: Millennials enjoy authentic experiences, discovering local cultural experiences, which has benefited services such as Airbnb and food delivery services (Kim and Lee, 2020).
- Trust is especially important for intangible service offerings. Online trust is important in the sharing economy but is subjective. For transactions to occur where the service provider and the customer are unknown to each other, businesses need to find ways to instill trust. The inclusion of photographs online for identification of the people involved in the service provision can identify and provide reassurances to the customer by stimulating visual-based trust (Ert *et al.*, 2016).
- Building a positive reputation can help build trust. Yacouel and Fleischer (2012) found online reviews to be highly effective in the hotel booking sector.

Furunes and Mkono (2019) also raise managerial issues arising from a move to the sharing economy as customer expectations of the service offer may be altered due to the following:

- Customer mega-gaps in service expectations; conflicts between what is delivered and the online service promise. For example, this research found failed expectations when takeaway food doesn't appear as it looks online; delivery too slow; tech problems when ordering; and perceptions of the level of professionalism offered by couriers and drivers.
- Complaint service, service failure and service recovery. Service failure is an important consideration as dissatisfied customers can get themselves heard online, often more effectively than offline. Customers' involvement in shaping a service through their feedback and the collaboration that occurs as customers answer other customers' questions in forums can be a powerful influence on future behaviour. Furunes and Mkono (2019) found fragmented supply chains in the sharing economy led to difficulties in reporting complaints and getting suitable recompense to enable service recovery to take place.
- Over-standardisation: narrowly defined services can suffer from customers perceiving the service as limited and lacking in scope to satisfy their needs.

We will now review the different parts of the service elements of the mix in more detail.

People

People variable
The element of the marketing mix that involves the delivery of service to customers during interactions with those customers.

The **people variable** of the marketing mix relates to how an organisation's staff interact with customers and other stakeholders during sales and pre- and post-sales communications with them. Furunes and Mkono (2019) examined how workforce scripts change as new entrants join the sharing economy and begin offering peer-to-peer services (e.g. Airbnb, Uber, Lyft, Deliveroo). This can mean traditional employer–employee relationships are altered and as a result deviate from perceived norms. This extends to workers' remunerations, income security of employment contracts and an overall casualisation of labour. This can lead to further complications, placing the service provider (worker) in a riskier work scenario where there are fewer guarantees and rights than if they were fully employed, which in turn can impact on the delivery of the service encounter. Their research looking at food-delivery services in the sharing economy found that while there were high levels of satisfied customers there were also very dissatisfied customers, which revealed that the people involved in the service delivery were key to shaping customer perceptions of the service as a whole.

Chaffey and Smith (2017) make a similar point to Rayport *et al.* (2005) when they suggest that, online, the main consideration for the people element of the mix is the review of

how staff involvement in the buying is changed, either through new roles such as replying to emails or online chat enquiries, or through their being replaced through automated online services.

While the options for this form of customer service outlined above are straightforward, what is challenging is to implement the applications effectively. For example, if an FAQ doesn't have sufficient relevant answers or a call-back does not occur at the right time, then the result will be a dissatisfied customer who is unlikely to use a service again or will tell others about their experience using feedback and a rating, which can then appear on shopping comparison engines.

To manage the service and quality of inbound communications, organisations must devise plans to accommodate the five stages shown in Figure 5.5.

Stage 1: Customer defines support query

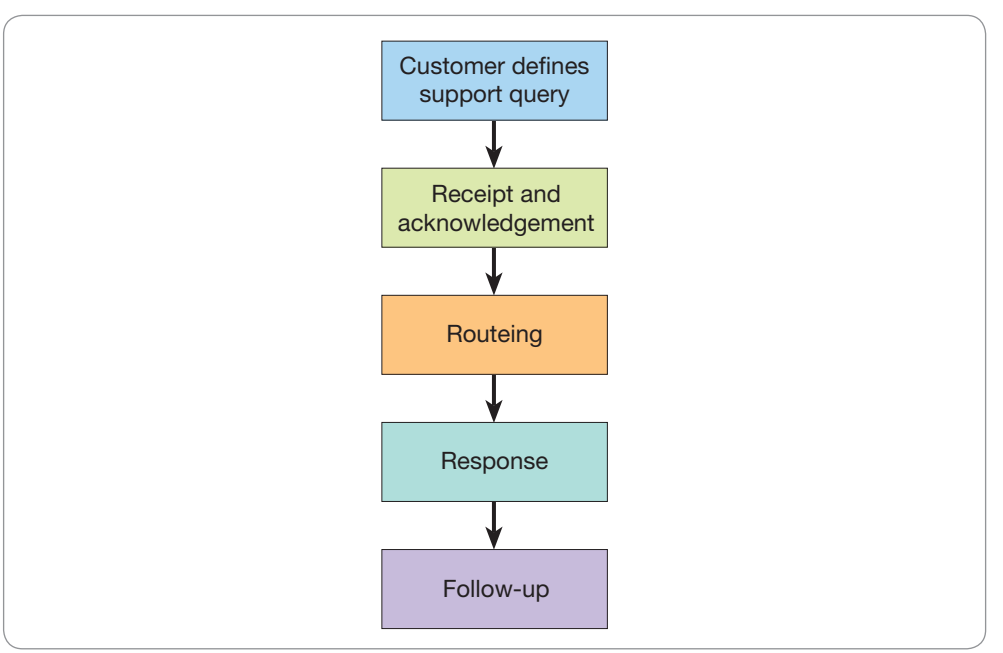
Companies should consider how easily the customer can find contact points and compose a support request on site. Best practice is clearly to find email support options. Often, finding contact and support information on a website is surprisingly difficult. Standardised terminology on site is 'Contact Us', 'Support' or 'Ask a Question'. Options should be available for the customer to specify the type of query on a web form, or the company should provide alternative email addresses such as **products@company.com** or **returns@company.com** on site, or in offline communications such as a catalogue. Providing FAQs, apps or automated diagnostic tools should be considered at this stage to reduce the number of inbound enquiries.

Finally, the website should determine expectations about the level of service quality. For example, inform the customer that 'your enquiry will be responded to within 24 hours'.

Avatar
A term used in computer-mediated environments to mean a 'virtual person'. Derived from the word's original meaning: '*n*. the descendant of a Hindu deity in a visible form; incarnation; supreme glorification of any principle'.

Avatars are increasingly being used to reduce the need for enquiries, such as 'Ask Anna' on the IKEA site. Research by Holzwarth *et al*. (2006) found that use of an avatar-based sales agent can lead to more satisfaction with the retailer, a more positive attitude towards the product and a greater purchase intent. They investigated the usage of 'attractive' versus 'expert' advisers, dependent on the complexity of the purchase decision.

Figure 5.5 Stages in managing inbound email



Stage 2: Receipt of email and acknowledgement

Autoresponder or 'mailbot'
Software tool or 'agent' running on a web server that automatically sends a standard reply to the sender of an email message.

Best practice is that automatic message acknowledgement occurs. This is usually provided by **autoresponder** software. While many autoresponders only provide a simple acknowledgement, more sophisticated responses can reassure the customer about when the response will occur and highlight other sources of information.

Stage 3: Routeing of email

Best practice involves automated routeing or workflow. Routeing the email to the right person is made easier if the type of query has been identified through the techniques described for Stage 1. It is also possible to use pattern recognition to identify the type of enquiry.

Stage 4: Compose response

Best practice is to use a library of pre-prepared templates for different types of queries. These can then be tailored and personalised by the contact centre employee as appropriate. The right type of template can again be selected automatically using the software referred to in Stage 2.

Stage 5: Follow-up

Best practice is that if the employee does not successfully answer the first response, then the email should suggest call-back from an employee or a live chat. Indeed, to avoid the problem of 'email ping-pong' where several emails may be exchanged, the company may want to proactively ring the customer to increase the speed of problem resolution, and so solve the problem. Finally, the email follow-up may provide the opportunity for outbound contact and marketing, perhaps advising about complementary products or offers.

Process

Process variable
The element of the marketing mix that involves the methods and procedures companies use to achieve all marketing functions.

The **process variable** of the marketing mix refers to the methods and procedures companies use to achieve all marketing functions – such as new product development, promotion, sales and customer service (as described in the previous section). The restructuring of the organisation and channel structures to accommodate online marketing, which was described in the previous chapter, is part of process.

Customer contact strategies are a compromise between delivering quality customer service with the emphasis on customer choice and minimising the cost of customer contacts. Typical operational objectives that should drive the strategies and measure effectiveness are:

- to minimise average response time per contact (email) and the range of response time from slowest to fastest – this should form the basis of an advertised service quality level;
- to minimise clear-up (resolution) time – for example, number of contacts and elapsed time to resolution;
- to maximise customer satisfaction ratings with response;
- to minimise average staff time and cost per email response.

Customer contact strategies for integrating web and email support into existing contact centre operations usually incorporate elements of the following options:

- **Customer-preferred channel.** Here the company uses a customer-led approach where customers use their preferred channel for enquiry, whether it be phone call-back, email or live chat. There is little attempt made to influence the customer as to which is the preferable channel. Note that while this approach may give good customer satisfaction ratings,

it is not usually the most cost-effective approach, since the cost of phone support will be higher than customer self-service on the web, or an email enquiry.

- **Company-preferred channel.** Here the company will seek to influence the customer on the medium used for contact. For example, easyJet encourages customers to use online channels rather than voice contact to the call centre for both ordering and customer service. Customer choice is still available, but the company uses the website to influence the choice of channel.
- **Delivering customer services and assisted sales through live chat is increasingly popular.** For example, mobile phone company EE uses LivePerson for customer service and assisted sales.

Physical evidence

Physical evidence variable
The element of the marketing mix that involves the tangible expression of a product and how it is purchased and used.

The **physical evidence variable** of the marketing mix refers to the tangible expression of a product and how it is purchased and used. In an online context, 'physical evidence' refers to the customer's experience of the company through digital channels. For example, a digital showroom can be created as a flagship store and replace a physical high-street store. The global pandemic has encouraged more brands to use different ways of working, and digital showrooms have been used to support brands in the sales process. Virtual reality and video conferencing have enabled a digital/physical presence (Figure 5.6). While government restrictions stopped viewings of houses taking place in person, estate agents utilised videos and 360-degree images to sell properties.

Physical evidence includes issues such as site ease of use or navigation, availability and performance, which are discussed further in Chapter 7.

Figure 5.6 Virtual retail fashion showroom

Source: Aliaksandr Yarmolovich/Shutterstock

Case study 5 Spotify streaming develops new revenue models

Spotify™ is a streaming music service originally developed in 2006 in Sweden and launched in 2008. Spotify Ltd now operates in 17 countries around the world.

This case study explores how the online music subscription service uses different elements of the mix online and looks into how the company constantly strives to delight its customers with new features and personalised playlists.

Background context

Spotify was not the only online entrant to online music services. In 1999, Napster™ launched the first widely used service – a 'free' peer-to-peer (P2P) music-sharing channel. But this innovative approach to sharing music became subject to legal challenges from major record companies, and Napster lost revenues on music sales and was eventually forced to close. Napster was a pioneering company as it demonstrated to the world what was possible in terms of sharing digital music, and Spotify benefited. So too did consumers as, today, so long as you have internet access you can freely listen to music (with adverts). This seismic change in how we listen to music has redefined the *product*; music no longer has to be delivered on vinyl discs (or compact discs). And many digital music fans think of music as something in the background, which can set the mood, to work or exercise to. Popular music has largely lost its physicality, is digital and is interactive, as huge catalogues of titles can be searched to find your favourite playlist. This shifting behaviour in music listening is where Spotify adds value for its customers; it creates curated playlists around generic themes or tailored to the individual's listening preferences (Beaumont-Thomas and Snapes, 2018). The company is an innovator in marketing approaches, and its use of cutting-edge technology ensures its place as market leader in music subscription.

The music streaming service went live in October 2008, and it kept its free service as invitation only – something that had been in place while it was in the final stages of development prior to public launch. Since then, the company has grown rapidly; in 2011 there were 2.5 million paying subscribers signed up to its service. This followed 500,000 premium users signing up since its partnership with Facebook's 'Open Graph', which allows people to share the tracks they were listening to with friends. Through licensing the service Spotify leveraged further opportunities for revenue growth. For example, in January 2015, PlayStation® announced that Spotify would power its new music service, called PlayStation® Music. In 2017, Spotify introduced 'Secret Genius', which provided a way of highlighting songwriters and producers and 'Show Credits', giving details of these individuals. This initiative provided opportunities to drive sales and enable fans to build connections that could lead to future sales (Spotify, 2018). By 2018, Spotify had 30 million songs in its catalogue, 140 million active users

Source: Hemin Xylan/Shutterstock

each month and over 70 million premium customers (Wikipedia, 2018) and these numbers continue to grow as Spotify aims to become the number one streaming audio platform in the world with over 350 million users in 2021 (Spotify, 2021a).

Value proposition

For its music-loving customers and music producers Spotify has created a global marketplace where they can engage with each other. With over 350 million active users, offering 70 million music tracks, the distinct value that creates competitive and differential advantage for Spotify is derived from offering products (music tracks) that are very relevant to the customer and enabling artists to deliver to the listening audiences. The company does this through allowing customisation of playlists by the individual (by making suggestions of new music based on customers' listening profiles their choices are extended) and providing listener data for artists.

In addition to the core music listening service, Spotify has developed other features to add to the value of the service, which have also given opportunities to spread awareness of the site through co-marketing. Spotify claims that its users are highly engaged, with the average multiplatform user spending 146 minutes a day using the service. The share of users listening on mobile has tripled. In 2017, the introduction of the 'Rise' programme, in conjunction with a new awards ceremony, aimed to encourage emerging artists and highlight excellent talent.

The Spotify for Artists app provides independent artists with details of who is listening to their music, where they are located and their wider listening preferences. By understanding more about listeners, music makers can make data-informed decisions about the markets they serve, the reach of their music, when to release new tracks and how best to develop their fanbase (Spotify, 2021b).

Revenue model

Spotify operates a freemium model, with the majority of its users streaming music to their mobile or desktop via apps or web browsers. Free subscribers get adverts between tracks, which are part of the Spotify revenue model. Users of the free service encounter audio adverts every five or six songs, or approximately three minutes of advertising for every hour of listening.

Spotify Premium users pay a fixed monthly fee to get additional features, including offline listening and no interruptions from ads, the ability to play any song in the Spotify libraries and unlimited on-demand playback.

The company pays roughly 70 per cent of its revenue as royalties to artists and companies that hold the rights to the music. Spotify pays artists and labels per streamed track. In the past, artists have questioned the value that Spotify returns, with some major global artists such as Taylor Swift and AC/DC withdrawing some or all of their music from the platform. However, after a three-year boycott, Taylor Swift made her whole back catalogue available on Spotify (Sweney, 2017) and for many other less well-known artists it provides a way to reach new audiences through recommendations and playlists, and gain royalties from listeners from whom they would not previously have received any revenue. Spotify makes the case that it aims to regenerate lost value by converting music fans from poorly monetised formats (e.g. illegal download services) to the paid streaming format, which produces far more value per listener.

Product and innovation

Spotify regularly introduces innovative products and services, to maintain customer interest and to promote engagement with the marketplace. 'On Repeat' playlists give members access to memorable playlists (Spotify, 2019).

The 'Car Thing', a 'smart player for your car' (Spotify, 2021c), is another innovation to satisfy listening audiences. While Spotify is not traditionally a hardware developer, it wanted to enable personalised in-car listening. The new device uses voice control to enable fast hands-free access to music while driving, touch screen display and preset favourite buttons.

Advertising services

Spotify has developed a range of innovative advertising formats to build its revenue, mainly from its free subscribers. Spotify uses data-driven analytics to help determine its ad spend and target markets; users' data insights identify behaviour, which then inform the ads, the content and the messages that promotional tools and media can use. For example, the '2018 Goals' campaign used Spotify users' habits to create humorous resolutions and personal aims and presented these using billboards. The campaign worked really well, as it tapped into music-lovers' psyche, and the music we listen to is part of who we are (Nudd, 2017). Spotify offers a range of ad formats that are easy to use and help advertisers get great results (Spotify, 2021d):

- **Audio Ads.** A cross-platform, unavoidable format comprised of an audio spot, cover art and clickable campaign name.
- **Video Ads.** Delivered while listeners are browsing music catalogues to maximise opportunities to see.
- **Podcast Ads.** Designed to aid brand building and more engaging content in ads.
- **Display.** Leaderboard ads in the Spotify player are served when the user is interacting with Spotify.
- **Homepage Takeover.** Block out a full day for your brand on the Spotify homepage.

- **Branded Playlist.** Custom user-generated playlists with brand logo, custom text and optional link to your campaign.
- **Sponsored Session.** Users choose to watch a video to receive a 30-minute, ad-free session.
- **Overlay.** Designed to produce strong brand impact.
- **Advertiser Page.** A microsite seamlessly integrated into the Spotify player. The Advertiser Page can contain practically any content you'd find on a web page, including videos, clickable images, blogs, news, links and comments.

A global campaign run on Spotify with Calvin Klein enabled the iconic fashion brand to connect with Gen Z, the new generation of consumers who are shaping their brand choices. The campaign raised 25 million impressions from around the world as artists BTS, Harry Styles, Juice WRLD and Ariana Grande shared their hopes for the future. Spotify ads encouraged listeners to share their dreams for the future by prompting them to answer the question 'what do you hope for?' and then adding one song to a collaborative playlist, after which contributors were directed to a landing page, #ckone, to hear inspiring voices from different artists. This collaboration between Spotify and CK tapped into the culture of the moment and revealed insights into where Gen Z is heading with its buying preferences.

Competition

Spotify faces competition from existing online music services such as Apple Music™, but given that this is an evolving marketplace, other major competitors can be expected. For example, Google launched YouTube Music, and Apple purchased the Beats™ subscription service to support the launch of Apple Music™. Amazon also now offers the Prime Music™ subscription to customers who are in its loyalty programme. And Tencent Music Entertainment is growing market share in China.

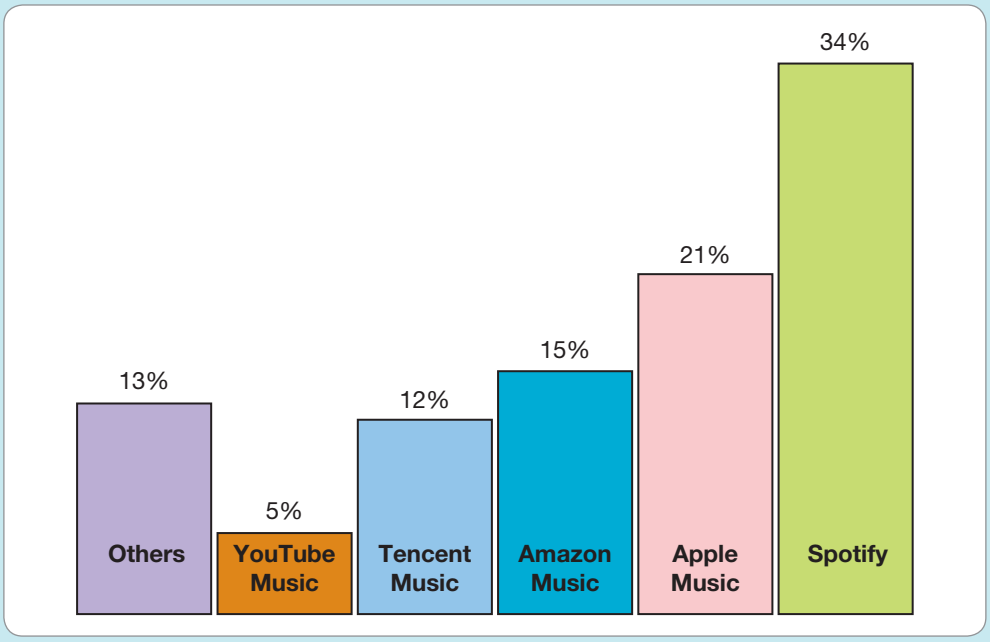
Spotify has grown into a significant global brand and has been driving market growth by focusing on delivering more personalised music playlists (Karpis, 2017). Figure 5.7 shows market share of key global players by percentage (Kumar, 2020).

Marketing

Unlike in the '**dot.com** era', when startups with global aspirations launched using TV campaigns, Spotify's growth has taken a more modest approach, relying on word of mouth, PR and co-marketing rather than big ad budgets.

In the early days the launch of Spotify in the United States used private 'Beta' invites to create a buzz, as those with access shared their use of it on social media (and through word of mouth).

Figure 5.7 Market share of key global players by percentage



Source: Data from Kumar (2020)

The invitation-only element was a vital part of the platform's rise. Not only did it help manage the growth level of Spotify, but it also helped create a viral element to the service, with users each having five invites at first to share with their friends.

Spotify has since used co-marketing and partnerships with publishers to increase its reach, by embedding different formats of widgets on other sites. For example, Drowned In Sound has a monthly playlist that it embeds within its blog, which encourages its readers to engage with Spotify. Other partnership services enable festivals and charities to engage their audience through Spotify playlists. To grow its audience beyond its traditional younger audience, Spotify today invests more in collaborative campaigns. In 2013 it launched a multiplatform campaign, with a 30-second ad spot during the season premiere of NBC's *The Voice*. Sixty-second versions of the commercial aired in *The Tonight Show with Jay Leno* and *Late Night with Jimmy Fallon*.

In 2014 Spotify launched a 'Music takes You Back' ad (**www.youtube.com/watch?v=BaDe9Pgkpl4**) in the United Kingdom and the United States, which featured in cinemas, on digital signage and online. It centred around three videos that showcase three different people's stories through the medium of Spotify, Facebook, text messages, Skype and Instagram. It aimed to show how Spotify can bring people together through its integration with social media. Spotify decided not to use TV, creating 75- to 90-second videos rather than the typical 30-second TV ad-break slots. More recently, Spotify's annual 'wrapped' campaign (December 2020) celebrated resilience and working together, and the 'listening together' campaign (May 2020) celebrated the power of audio and how it could bring people together even while in isolation during the global pandemic (Campaign, 2020). This iconic music-streaming service continues to develop its market share by staying connected with the needs of its target audiences with everything it does.

Questions

1. Explain how Spotify uses the marketing mix to create differential advantage.
2. What is Spotify's core product and what does it add to this offer as part of its extended product?
3. Suggest how the launch of 'Hey Spotify' (its voice feature) for mobile users might add value for customers.

Summary

1. This chapter has explored the marketing mix in a digital context and focused on the opportunities for varying the marketing mix.
2. **Branding** has been explored from a traditional and digital perspective, highlighting key considerations for digital markets and brand managers. Each of the established elements of a brand offline (e.g. domain, value, assets, heritage) have been considered as to how they relate to the online world.
3. **Product.** Opportunities for varying the core product and the extended product through new information-based services have been examined.
4. **Price.** The internet leads to price transparency and commoditisation, and hence lower prices. Dynamic pricing gives the ability to test prices or to offer differential pricing for different segments or in response to variations in demand. Digital pricing models such as auctions create opportunities for a more flexible and dynamic approach towards pricing.
5. **Place.** This refers to place of purchase and channel structure on the internet. There are three main locations for e-commerce transactions: seller site, buyer site and intermediary. New channel structures are available through direct sales and linking to new intermediaries.
6. **Promotion.** This aspect of the mix is discussed in more detail in Chapters 8 and 9.
7. **People, process and physical evidence.** These aspects of the mix are discussed in more detail in Chapters 6 and 7 in relation to customer relationship management and service delivery.

Exercises

Self-assessment questions

1. Review the extended marketing mix (7Ps) and for each element of the mix identify an important change in the digital context.
2. Give examples of core and extended products you might encounter in digital environments.
3. Explain the implications of the internet for price.
4. What are the implications of the internet for place?
5. Explain how digital channels have altered how companies can differentiate their brands online.

Exam and discussion questions

1. 'The marketing mix is no longer a valid concept in the internet era.' Discuss.
2. Critically evaluate the impact of the digital marketing context in relation to the elements of the mix for an industry sector of your choice.
3. Discuss the potential impact of the internet on a firm's pricing policies.
4. Discuss the opportunities offered by the place element of the mix for a) physical retailers and b) digital retailers.
5. Explain the opportunities provided by digital channels for leading brands when launching new products.
6. Discuss the extent to which the internet is affecting the physical high street.
7. Explain how an organisation can vary its promotional mix using the internet.
8. The global pandemic has significantly disrupted the marketing environment, creating opportunities for digital brands to thrive. Examine the extent to which each of the elements of the marketing mix have contributed to such online success.

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support.**

6 Data-driven relationship marketing using digital platforms

Learning objectives and topics

After reading this chapter, you should be able to:

- Assess the relevance of and alternative approaches for using digital platforms for customer relationship management by encouraging interactions through social media, mobile messaging and email marketing
  - Introduction
  - Concepts of data-driven customer relationship marketing
  - Customer lifecycle management strategy
- Evaluate the potential of data-driven marketing, artificial intelligence and 'Big Data' using digital technology and marketing automation to deliver more relevant interactions and encourage customer loyalty
  - Data-driven marketing techniques
  - Applying artificial intelligence and Big Data to support data-driven marketing
  - Using data analysis and targeting techniques to increase customer loyalty and value
- Assess how to integrate social and mobile interactions to develop social CRM capabilities
  - Using social media to improve customer loyalty and advocacy

Case study

Case study 6: Buffer: from idea to paying business customers in seven weeks

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 4 introduces customer lifecycle-based segmentation models.
- Chapter 7 has guidelines on how to develop the right customer experience to assist in forming and maintaining relationships including website personalisation.
- Chapter 8 describes methods of acquiring customers for one-to-one marketing.
- Chapter 10 gives examples of relationship marketing in the business-to-consumer and business-to-business markets.

Introduction

Building long-term relationships with customers is essential for any sustainable business. So, what are the implications of the digital age for loyalty? The advent of digital marketing means that comparing and switching providers of services is easier than previously. Yet digital marketing also offers businesses opportunities to become more relevant to their customers using innovative **data-driven marketing** techniques. **Marketing automation** has proved popular when combined with **customer relationship management (CRM)** databases to develop more relevant always-on communications to communicate with new prospects and customers. In the context of the 7Ds of digital marketing we introduced in Chapter 1, this chapter focuses on applications of digital data and digital technology with a focus on owned media (email marketing, organic social media and website integration).

Data-driven marketing
Using insight about customer profiles, preferences and interactions with a brand to increase the relevance and effectiveness of marketing communications through research, data analysis and personalisation of messages to customers and prospects.

Marketing automation
Enables businesses to automate tasks in the marketing and sales process to profile prospects and customers and deliver more relevant communications, typically delivered as personalised emails and website messages.

Customer relationship management (CRM)
A marketing-led approach to building and sustaining long-term business with customers.

Churn rates
The percentage of customers who end their relationship with a company, typically calculated as the number of customers who left a company during a period divided by total customers at the beginning of the period. It is straightforward to calculate for subscription businesses, but requires a definition of 'active customers' for other types of business, such as retailing.

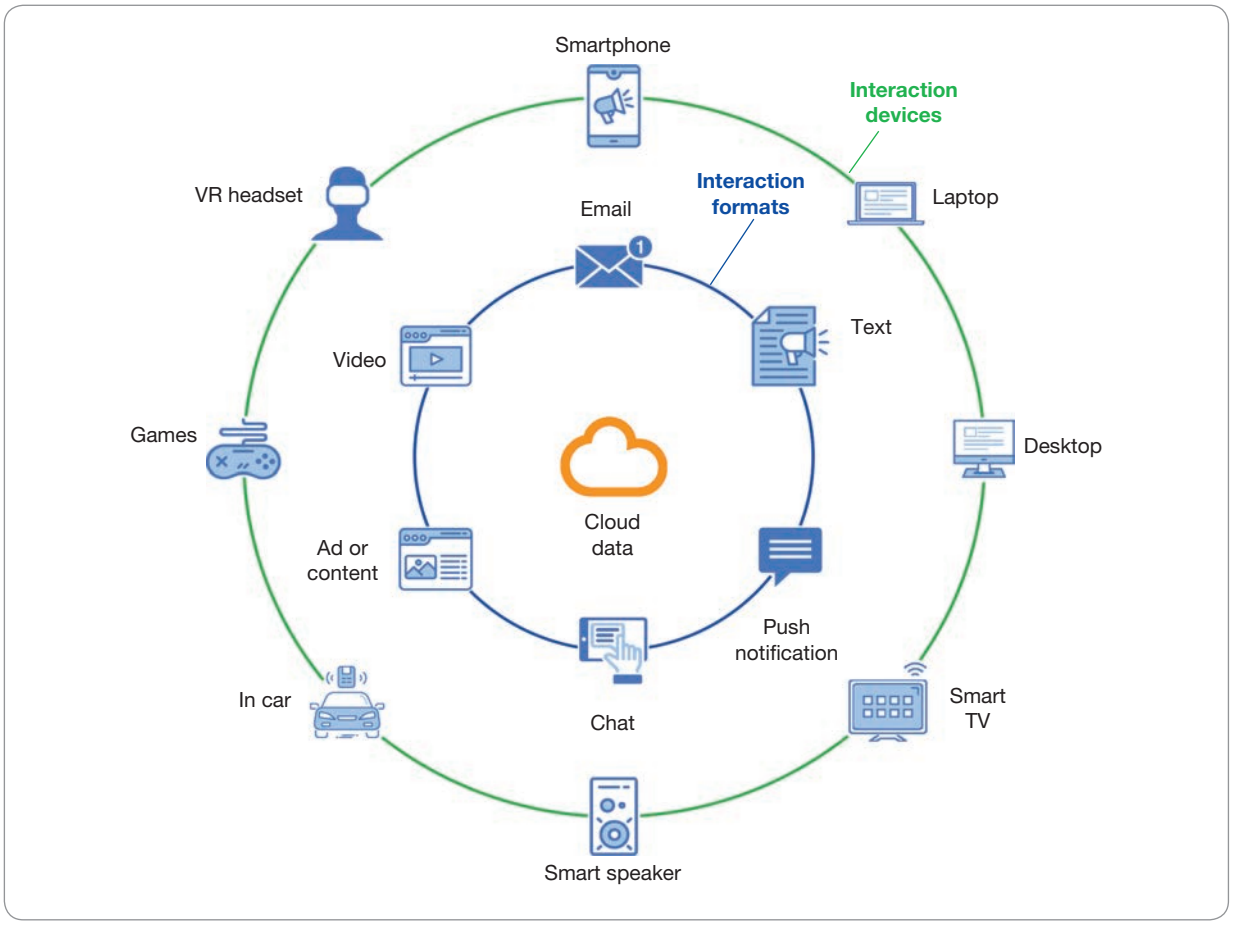
In this chapter we will explore how techniques such as online personalisation, artificial intelligence and machine learning can harness data available about our audiences. Analysis can then be used to build relationships and encourage loyalty and decrease **churn rates** by delivering more relevant communications and customer service through personalised online messaging. Although the focus is on customer communications, many data-driven marketing techniques can also help increase conversion rates as businesses communicate with prospects or leads of a company before they purchase.

Failure to build relationships to gain repeat visitors and sales has caused the collapse of many online startups, which have forfeited large expenditure on customer acquisition. Research summarised by Reichheld and Schefter (2000) showed that acquiring online customers is so expensive (they suggested 20–30 per cent higher than for traditional businesses) that startup companies may remain unprofitable for at least two to three years. The research also shows that by retaining just 5 per cent more customers, online companies can boost their profits by between 25 and 95 per cent.

Digital technologies are powerful since brands can interact directly with individuals to deliver relevant personal communications based on insight about individuals or groups of similar people, which is typically stored in the cloud or inside a company within multiple databases. Figure 6.1 summarises the online messaging techniques available to businesses today for interacting directly with audiences. Traditional direct mail can also be used to complement these communications. Interaction formats used to deliver communications to individuals are shown in the inner circle. The outer circle shows the many different digital devices that we can use to deliver communications, giving a choice to audiences.

It's clear that there are many options for delivering communications. The challenge for marketers is that as the number of options and messages delivered has increased it has become more difficult to make an impact. Considering email, Radicati Group (2020) forecast that the total number of business and consumer emails sent each day will grow from 306 billion in 2020 to over 361 billion in 2024. They note that email is still the most pervasive form of electronic communication for both business and consumer users, so it is a key technique alongside mobile text and push notifications and emerging formats. On average, a consumer receives approximately 75 messages per day, so to gain 'cut-through within the crowded inbox' requires both creativity and targeting to deliver a relevant message. Other forms of personal messaging are increasing in importance, as catalogued by Datareportal (Kemp, 2021), which reported that, globally, three mobile messenger apps (WhatsApp, Facebook Messenger and Weixin/WeChat) had more than 1 billion monthly active users and a further three (QQ, Telegram and Snapchat) had more than half a billion monthly users. These may not all offer the sophisticated targeting options of email marketing, but offer the potential to improve customer loyalty by interacting directly with individuals alongside push notifications in mobile apps and SMS text marketing. They're particularly relevant for audiences that don't use email marketing. This increase in digital messaging highlights why a lifecycle customer relationship management strategy informed

Figure 6.1 Digital communications options to support relationship development with online audiences using direct messaging



by data about customers is important to gain audience engagement through more personalised messages that offer greater value than competitor messages, which are less relevant. This chapter details the data-driven analysis and personalisation techniques available to the marketer, showing through examples how they can be applied to B2B and B2C markets using marketing automation.

Essential digital skills — Customer data analysis and marketing automation

The digital marketing skills needed by employers are to evaluate engagement and develop creative ways to improve audience engagement and loyalty. Specific skills include:

- boosting subscribers and profiling them through landing pages;
- planning a web, email and app-based contact strategy for improvement engagement;
- understanding and testing personalisation using rules and AI-based approaches;
- auditing marketing automation technology use by a company using the tools recommended at the start of Chapter 2, such as BuiltWith and Wappalyzer;

- assessing multichannel audience engagement and value using techniques such as RFM;
- developing creative ways to engage audiences through social media.

Practical ideas to boost employability by showcasing your interests and experiences include:

- using a free email management tool such as Mailchimp or free HubSpot CRM to broadcast emails to a group;
- understanding how personalisation works by trialling the free personalisation within Google Optimize on a blog.

Concepts of data-driven customer relationship marketing

Social selling
A proactive approach to using social media to generate leads and sales, particularly applied to B2B marketing in LinkedIn where it's possible to identify prospects and connect with them.

Account-based marketing (ABM)
The process B2B marketers use to communicate with buyers and users or services within target businesses in a market to generate new accounts and grow penetration into existing accounts.

Sales cadences
Communications between a business development person and prospect aimed at achieving lead nurture and conversion to sale. These can be automated for different channels including email, phone or social media messaging.

Web self-service
Customers perform information requests and transactions through a web interface rather than by contact with customer support staff.

Over the last three decades or more, relationship marketing, direct marketing and database marketing have combined to enable customer relationship management (CRM). CRM systems are popular for supporting the following applications that develop relationships with prospects and customers, particularly in B2B organisations:

1. **Marketing automation.** Marketing automation and CRM systems such as Salesforce and Eloqua can be used to nurture prospects by sending a sequence of targeted email communications after they show initial interest in a service, for example after they download a case study or attend a webinar.
2. **Sales force automation.** Sales representatives are supported in their account management through tools to arrange and record customer visits. Today, within business-to-business marketing, these include support for **social selling** through services such as LinkedIn Navigator and **account-based marketing (ABM)** for larger organisations with multiple people in the buying unit. Automated tools also support **sales cadences**, which make it easy for sales people to send updates via email and LinkedIn to nurture prospects.
3. **Customer service management.** Representatives in contact centres respond to customer requests for information by using an intranet to access databases containing information on the customer, products and previous queries. It is more efficient and may increase customer convenience if customers are given the option of **web self-service**, i.e. accessing support data through a web interface.
4. **Customer communications management.** Managing communications integrated across different channels including direct mail, email, mobile messaging, personalised web messages and social networks.
5. **Analysis and reporting.** Reporting on the volume, quality and value of leads in the sales pipeline through techniques such as lead scoring and grading, which we describe in the section on permission marketing.

Since the advent of cloud-based Software-as-a-Service (SaaS) for CRM through platforms such as Salesforce and Eloqua (now part of Oracle), marketing automation technology has been more widely adopted across both B2C and B2B businesses of all sizes and that define rules that schedule more relevant emails and personalised communications on company websites. Cloud-based SaaS such as inbound marketing platforms HubSpot and GetResponse have made CRM and marketing automation more affordable to companies in a range of sizes and industries. In 2021 HubSpot passed the milestones of 100,000 business customers and $1 billion in annual recurring revenue (PR Newswire, 2021). Smaller businesses and startups can use CRM services such as Mailchimp and Constant Contact for email at lower cost, or free of charge for even smaller lists.

Marketing orchestration
Designing customer contact strategies to deliver the most relevant, most responsive messages integrated across different communications channels based on customer context. Communications strategies are managed by marketing automation systems using rules or artificial intelligence based on Big Data analysis rather than manually created campaigns.

Contact or touch strategy
Definition of the sequence and type of outbound communications required at different points in the customer lifecycle. Includes event-triggered automated interactions such as an email welcome sequence for a new subscriber.

Contextual marketing
Relevant communications are delivered consistent with the context of the recipient, which can depend on their location, time or place.

Marketing automation to support lifecycle marketing is the term used most commonly by marketing professionals today, rather than the more clunky e-CRM, to which we referred in previous editions.

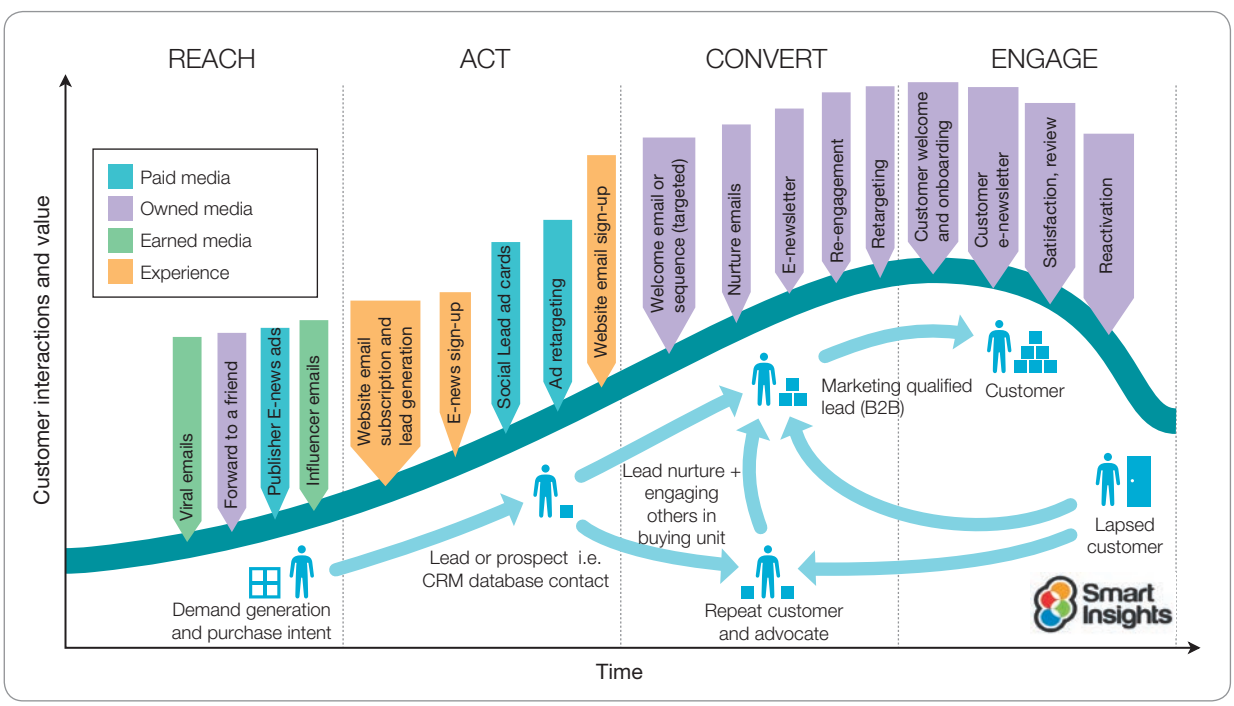
Marketing automation is a potentially powerful digitally enabled technique since, if configured to deliver targeted messages, it can provide more relevant, more contextual messaging to customers, which has an improved response and value to customers because of its relevance. Marketing automation can support different touchpoints across the customer lifecycle, as shown in Figure 2.1. For prospect and customer communications in larger enterprises, the management of these messages is also known as **marketing orchestration** – part of the 'always-on' approach to communications used to deliver relevant messages, as shown in Digital marketing insight 6.1 about the goals of marketing orchestration. The analogy of a conductor and their orchestra is appropriate since it suggests the large number of people who need to be aligned in their actions at the right time.

Marketing automation enables every online customer interaction or response to a communication to be followed up by a series of relevant communications delivered by the right combinations of channel (web, email, phone, direct mail) to elicit a response or further dialogue. However, this 'always-on' approach to inbound marketing requires a defined **contact or touch strategy** to be created within the marketing automation system. In our experience, some businesses do not take advantage of the benefits of marketing automation platforms since they don't set up a contact and targeting strategy, simply sending similar emails to everyone.

Figure 6.2 recommends opportunities for using email marketing throughout the customer lifecycle to form a contact strategy. As with Figure 2.1, which considers other digital marketing touchpoints, you can use this type of visual for a 'gap analysis' to review opportunities to use email marketing for relationship marketing. We will examine some of these techniques, such as welcome and nurture emails, in more detail later in the chapter.

Creating an automated contact strategy or policy is an example of **contextual marketing**, where the aim is to deliver relevant messages that fit the current context of what the customer is interested in, according to the searches they have performed, the type of content they have viewed or the products they have recently purchased.

Figure 6.2 Opportunities for using email marketing to support customer lifecycle marketing goals



Source: Smart Insights (Marketing Intelligence) Ltd

Digital marketing insight 6.1 The goals of marketing orchestration

We have used this summary of how businesses need to manage customer communications in previous editions under the moniker coined by Dave Chaffey of 'right touching' or **one-to-one marketing**; it is now updated to explain the aims of marketing communications orchestration using marketing automation. Initially, automation was achieved by rules-based techniques, such as 'send a series of three welcome emails to new customers with different repeat purchase offers over a period of three weeks'. Today, artificial intelligence can be used to deliver the right message at the right time, not using rules but instead based on learning from historic response patterns.

The aim of marketing orchestration can be defined as the development of:

A **multichannel communications strategy**

Customised for individual prospects and customers forming segments

Across a **defined customer lifecycle**

Which . . .

Delivers the **right message**

Featuring the **right value proposition** (product, service or experience)

With the **right tone**

At the **right time** or context

With the **right frequency and interval**

Using the **right media/communications channels**

To achieve . . .

Right balance of value between both parties

One-to-one marketing
A unique dialogue occurs between a company and individual customers (or groups of customers with similar needs) using automation and personalisation to increase relevance.

A contact policy should also be developed to manage and control communications so that they are at an acceptable level as both automated event-triggered emails and manual emails such as newsletters and campaign emails are sent. The contact policy should indicate the following:

- **Frequency** – e.g. minimum once per quarter and maximum once per month.
- **Interval** – e.g. there must be a gap of at least one week or one month between communications.
- **Content and offers** – we may want to limit or achieve a certain number of prize draws or information-led offers.
- **Links** – between online communications and offline communications.
- **A control strategy** – a mechanism to make sure communications guidelines are adhered to – e.g. ensuring brand messages are checked, tested and optimised and customers are contacted at a suitable frequency in line with their privacy statements.

While commentators recommended an aim of 'one-to-one' personalisation of marketing communications for many years, more recently, technology analyst Gartner (Frank, 2015) has acknowledged that due to privacy concerns, this may not be possible, instead recommending the concept of personification, where targeting is based on shared characteristics of a segment rather than an individual.

We can expect to see more marketing technology service providers and digital platforms developing targeting that uses personification techniques. This will still enable digital communications to be tailored based on the characteristics, interests and behaviours of a group of similar consumers rather than an individual, such that an individual's personal information is not used. However, since there is different privacy legislation in different countries, as described in Chapter 3, solutions will have to comply with these.

Google's announcement of 'Federated Learning of Cohorts (FLoC)' to replace third-party cookies to deliver relevant ads 'by clustering large groups of people with similar interests' (Bindra, 2021) is an example of the trend of personification.

The challenge of customer engagement

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

Media fragmentation Describes a trend towards increasing choice and consumption of a range of media in terms of different channels such as web and mobile and also within channels – for example, more TV channels, radio stations, magazines, more websites. Media fragmentation implies increased difficulty in reaching target audiences.

Forrester (Haven *et al.*, 2007) heralded **customer engagement** as 'marketing's new key metric', given the rapidly increasing online **media fragmentation** and the challenges of keeping customers engaged with brands due to the proliferation of choice. Since this time the need to measure and put in place tactics to improve engagement has become more widely understood.

Customer engagement is sometimes used to refer to engaging customers in the short term, for a single touchpoint, such as whether someone dwells on the site for a significant time or whether they interact with an email. Customer engagement also refers to the long-term ability of a brand to gain a customer's attention on an ongoing basis.

The commercial aim of engagement is to maximise customer value through using customer interactions to lead to more profitable relationships.

An example of the challenge and the need for automated reminder messages for consumers to engage is provided by mobile messaging service Airship™ (2017), which researched the impact of push notifications on new mobile app users. It found that within 90 days of first opening the app, 95 per cent of opt-in users in the study who didn't receive any push notifications churned – that is, they deleted or stopped using the app. In contrast, app users who received push notifications in the 90 days after their first opening of the app had nearly three times (190 per cent) higher retention rates than those who did not.

Benefits of using marketing automation to support customer engagement

Using digital platforms for CRM involves integrating the customer database with websites and messaging to make the relationship targeted and personalised. Through doing this, marketing can be improved by:

- **Targeting more cost-effectively.** Traditional targeting, for direct mail for instance, is often based on mailing lists compiled according to criteria that mean that not everyone contacted is in the target market. For example, a company wishing to acquire new affluent consumers may use postcodes to target areas with appropriate demographics, but within the postal district the population may be heterogeneous. The result of poor targeting will be low response rates, perhaps less than 1 per cent.
- **Permission marketing.** Also known as inbound marketing, this has the benefit that the list of contacts is *self-selecting* or pre-qualified. A company will only aim to build relationships with those who have visited a website and expressed an interest in its products by registering their name and address.
- **Mass customisation of the marketing messages** (and possibly the product). This automated personalisation process is described in a subsequent section. Technology makes it possible to send tailored emails at much lower cost than is possible with direct mail and also to provide tailored web pages to smaller groups of customers (microsegments).
- **Increased depth and breadth of information** (and improved nature of relationship). Digital media enables more information to be supplied to customers as required through content marketing. The nature of the relationship can be changed, in that contact with a customer can be made more frequently. The frequency of contact with the customer can be determined by the customers – whenever they have the need to visit their personalised pages – or they can be contacted by email by the company.

Sense-and-respond communications
Delivering timely, relevant communications to customers as part of an automated contact strategy, based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's website, emails and staff.

- **Deeper customer understanding and more relevant communications** can be delivered through a sense-and-respond approach. Examples of **sense-and-respond communications** include: tools that summarise products purchased on-site and the searching behaviour that occurred before these products were bought; online feedback forms about the site or products, completed when a customer requests free information; questions asked through forms or emails to the online customer service facilities; online questionnaires asking about product category interests and opinions on competitors; new product development evaluation – commenting on prototypes of new products.
- **Lower cost.** Contacting customers by email or through their viewing web pages costs less than using physical mail, but, perhaps more importantly, information needs to be sent only to those customers who have expressed a preference for it, resulting in fewer mail-outs.
- **Delivering loyalty programmes.** Loyalty schemes are often used to encourage customer extension and retention. You will be familiar with points-based schemes run by retailers.

Gamification
The process of applying game thinking and mechanics to engage an audience by rewarding them for achievements and sharing.

- **Opportunities for gamification.** **Gamification** involves applying game-based thinking to a brand, business or organisation to engage and develop loyalty. Research shows that game play itself stimulates the human brain (releasing dopamine) and the now-proven mechanics from gaming can be brought into marketing, and especially mobile marketing. Some key features of gamification applied to digital marketing are:
  - creative concept to engage;
  - game mechanics to encourage play (badges, points, leader boards levels, interactions);
  - game dynamics can be altered to reward and even penalise;
  - game currencies to provide the motivation – this can be financial, status, need for doing good, pleasure and influence.

Mini case study 6.1 shows how one brand is using gamification to reach and engage smartphone users.

Mini case study 6.1 Nestlé uses gamification to engage smartphone users

Brands such as Nestlé™ have, for many years, successfully used TV and traditional media. But with consumer behaviour changing, reaching people who don't watch linear TV poses a challenge.

This example, shown in the video (**https://www.youtube.com/watch?v=lDdfs8NC3yc**), explains how gamification can be used as a new technique by brand advertisers looking to engage users on their smartphones when commuting or relaxing. Steve Pollack, Head of Media Communications, Nestlé UK, explains the benefits that a brand advertiser sees from its new platform:

> *The great beauty of running an ad in a video in a game is that we can offer something to the gamer and they hopefully will then view the ad. We give them a good value exchange: they see our ad, we give them a power up or an extra life.*

In this gamification campaign, Nestlé worked with King Games, which has a network of over 200 games-related sites, plus Google's DoubleClick ad network.

All advertising that runs on King Games is user-initiated. This means that the player gets to choose and engage in advertising for a value exchange, such as a reward – an extra life, currency or booster, for instance.

King Games believe that giving the user the choice of whether to engage with an ad or not and when to do so creates a more positive experience overall and improves results for advertisers. 'We're finding that the players that actually consume advertising in that form are playing the games longer and having more fun', says Ben Fox, VP of Business Development of King Advertising.

For this Nestlé campaign, the results from advertising in King Games have included a 3 per cent click-through rate on Android and 99.5 per cent view-through rate (meaning that a very high proportion who participate eventually visit the Nestlé site).

Source: Google LLC (2017)

Customer lifecycle management strategy

Customer lifecycle
The stages each customer will pass through in a long-term relationship with an organisation, including acquisition, retention and extension prompted by digital and non-digital communications touchpoints.

Customer selection
Identifying key customer segments and targeting them for relationship building.

Customer acquisition
Strategies and techniques used to gain new customers.

Activation
A prospect or customer takes the first step in actively using an online service after initial registration or purchase.

Customer retention
Techniques to maintain relationships with existing customers.

Customer extension
Techniques to encourage customers to increase their involvement with an organisation.

In this section we will review classic methods of orchestrating communications based on the position of customers in the lifecycle and the use of 'sense-and-respond' communications to build customer loyalty at each stage of the **customer lifecycle**.

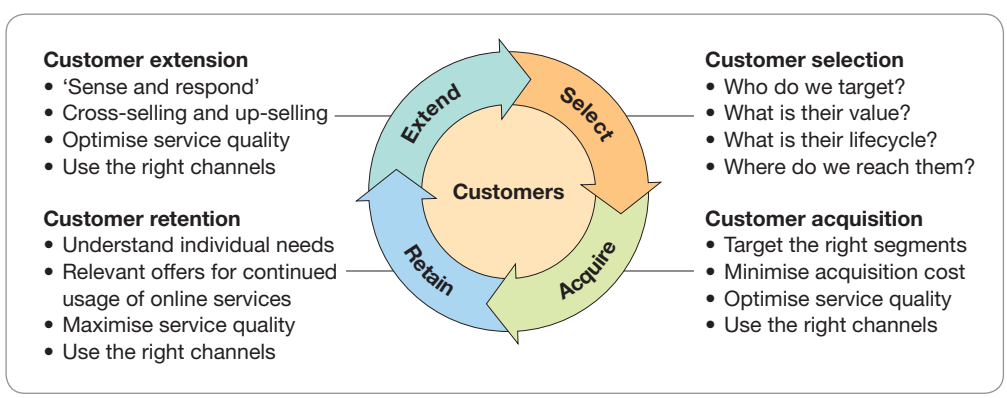
To plan these communications requires consideration of the business goals of engagement using a high-level view of the classic customer lifecycle of select, acquire, retain, extend as shown in Figure 6.3:

1. **Customer selection** means defining the types of customers that a company will market to. It means identifying different groups of customers for which to develop offerings and to target during acquisition, retention and extension. Different ways of segmenting customers by value and by their detailed lifecycle with the company are reviewed.
2. **Customer acquisition** refers to marketing activities to form relationships with new customers while minimising acquisition costs and targeting high-value customers. Service quality and selecting the right channels for different customers are important at this stage and throughout the lifecycle. For an online business, acquisition may involve a single-step conversion – for example, if a new visitor arrives on a site and purchases on the first visit. Typically, a longer, multi-step process is needed for conversion to sale where a visitor returns to the site. To facilitate conversion, customer lifecycle marketing should seek to form an initial relationship through asking for contact details for communication, such as email address, mobile number or a social media contact. This is the permission marketing approach, which we explain in the next section. For online SaaS startups, there is an additional step of **activation**, which means that a person registered with an online brand takes further action(s), such as trying the service.
3. **Customer retention** refers to the marketing activities employed by an organisation to keep its existing customers, i.e. to encourage them to buy again or continue a contract that renews for a service. Identifying relevant offerings based on their individual needs and detailed position in the customer lifecycle (e.g. number and value of purchases) is key.
4. **Customer extension** refers to increasing the depth or range of products that a customer purchases from a company. This is often referred to as 'customer development'.

There is a range of customer extension techniques that are particularly important to online retailers:

- **Re-sell.** Selling similar products to existing customers – particularly important in some B2B contexts as rebuys or modified rebuys.
- **Cross-sell.** Selling additional products that may be closely related to the original purchase, but not necessarily so.

Figure 6.3 The four classic marketing activities of customer relationship management



- **Up-sell.** A subset of cross-selling, but in this case selling more expensive products.
- **Reactivation.** Customers who have not purchased for some time, or have lapsed, can be encouraged to purchase again.
- **Referrals.** Generating sales from recommendations from existing customers – for example, member-get-member deals.

Peppers and Rogers (1997) recommended the following stages to achieve these goals, which they popularised as the 5Is:

- **Identification.** Learn the characteristics of customers in as much detail as possible to be able to conduct the dialogue. This involves collection of contact information such as an email address or mobile number, and profiling.
- **Individualisation.** Individualising is using mass customisation and personalisation to define the company's approach to each customer, offering a benefit to the customer based on the identification of customer needs. The effort expended on each customer should be consistent with the value of that customer to the organisation.
- **Interaction.** Continued dialogue to understand both the customer's needs and the customer's strategic value.
- **Integration.** Integration of the relationship and knowledge of the customer must extend throughout all parts of the company, harnessing data integrated from different systems.
- **Integrity.** Since all relationships are built on trust, it is essential not to lose the trust of the customer. Efforts to learn from the customer should not be seen as intrusive, and privacy should be maintained. (See Chapter 3 for coverage of privacy issues related to CRM.)

Permission marketing

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

Permission marketing is a significant concept that still underpins online CRM in management of the customer lifecycle. 'Permission marketing' is a term coined by Seth Godin (1999). It is best characterised with just three (or four) words:

> Permission marketing is . . .
> anticipated, relevant and personal [and timely].

Godin (1999) noted that while research used to show we were bombarded by 500 marketing messages a day, with the advent of the web and digital TV this has now increased to over 3,000 a day! From the marketing organisation's viewpoint, this leads to a dilution in the effectiveness of the messages – how can the communications of any one company stand out? Godin refers to the traditional approach as **interruption marketing**. Permission marketing is about seeking the customer's permission before engaging them in a relationship and providing something in exchange. The classic exchange is based on information or entertainment – a B2B site can offer a free report in exchange for a prospect sharing their email address, which will be used to maintain a dialogue through messaging. You will see permission marketing in action on many retailer sites where they seek to capture email addresses of first-time visitors in return for a discount code to be used for first purchase, sent via email or SMS.

Interruption marketing
Marketing communications that disrupt customers' activities.

From a practical e-commerce perspective, we can think of a customer agreeing to engage in a relationship when they check a box on a web form to indicate that they agree to receive further communications from a company, which as we saw from the discussion of communications law in Chapter 3 is now a legal requirement in most countries. This approach is widely known as **opt-in**. This is preferable to **opt-out**, the situation where a customer has to consciously request not to receive further information.

Opt-in
An individual gives consent to receive further communications (such as a newsletter) or agrees to a privacy policy (such as enabling personalisation using cookies).

Opt-out
A customer declines the offer to receive further information.

The importance of incentivisation in permission marketing has also been emphasised by Seth Godin, who likens the process of acquisition and retention to dating. He suggests that the stages of 'dating' the customer are:

1. offering the prospect an *incentive* to volunteer;
2. using the attention offered by the prospect, offering a curriculum over time and teaching the consumer about your product or service;

3. reinforcing the *incentive* to guarantee that the prospect maintains the permission;
4. offering additional *incentives* to get even more permission from the consumer;
5. over time, using the permission to change consumer behaviour towards profits.

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

Lead generation offer
Offered in return for customers providing their contact details and characteristics. Commonly used in B2B marketing where free information such as a report or a seminar will be offered.

Sales generation offer
Encourages product trial. A coupon redeemed against a purchase is a classic example.

Figure 6.4 gives a summary of a common, effective process for permission-based online relationship building to support engagement through the different stages of the customer lifecycle. This is example is for a retailer, but within B2B marketing a similar approach might be used within a different type of value exchange – for example, providing an email address in return for access to a white paper containing advice.

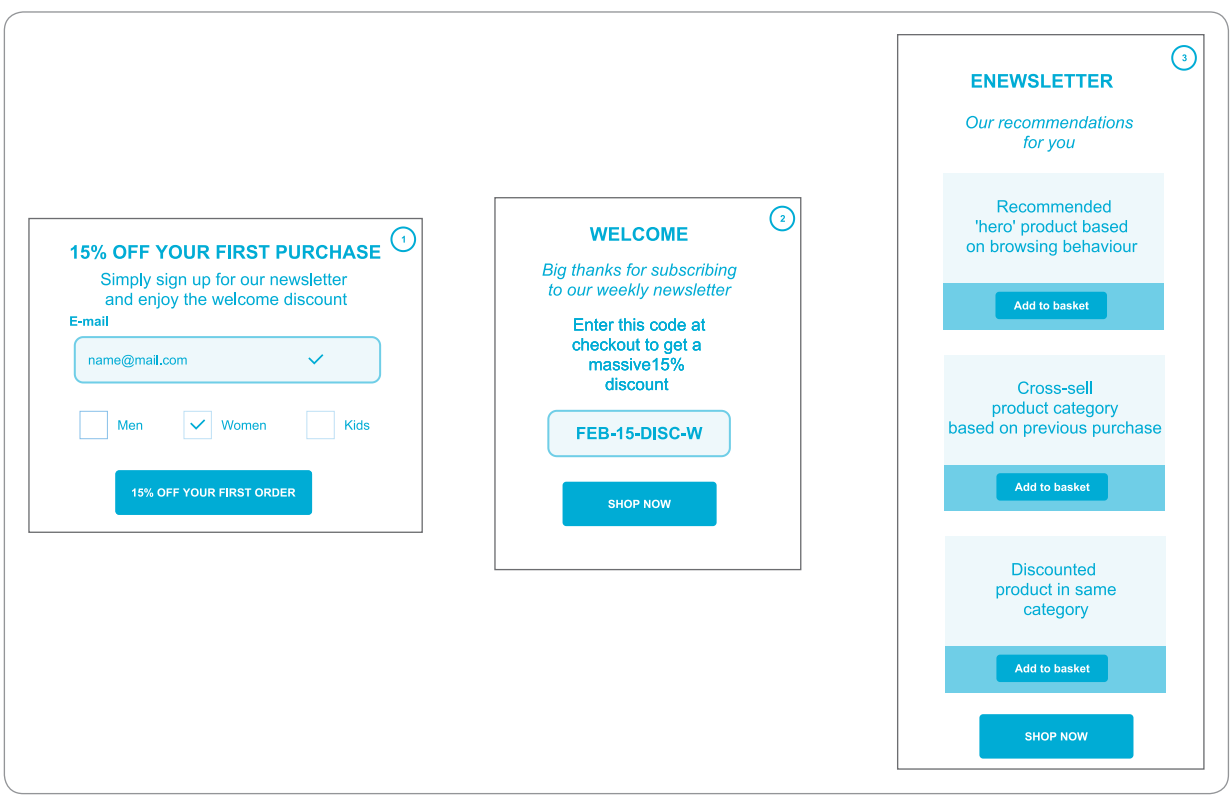
The stages are:

- **Stage 1. Attract new and existing customers to online presence.** Digital inbound communications and offline communications channels described in Chapter 9, such as search, social media marketing and direct mail, are used to drive visitors to a website, Facebook or other form of presence such as an app that enables opt-in. In B2B marketing visitors can be directed to a dedicated **landing page** by paid media such as Google Ads or LinkedIn ads.
- **Stage 2a. Prompt and incentivise visitors to action.** Two key types of incentives to consider are: **lead generation offers** and **sales generation offers**, such as the discount coupon shown in Figure 6.4 (1). This features a 'lightbox' or 'pop-up', which is commonly used in B2C markets to ensure the site visitor views the offer and responds. Less interruptive panels at the foot of the page can also be used.

Types of offers marketers can devise include information value, entertainment value, monetary value and privileged access to information The beauty of digital marketing is that different offers can be tested for different audiences using AB or multivariate testing (Chapter 10) and the offers refined to increase response.

To get visitors to take notice, prominent calls-to-action or pop-ups can boost conversion rates. For example, a pop-up to encourage free subscription which was resisted by Dave Chaffey for several years, increased lead conversion by 40 per cent when deployed on

Figure 6.4 Wireframes summarising an effective process of permission-based online relationship building



Smart Insights. Many web users will be annoyed by pop-ups, yet for site owners they do increase the number of leads, so the number of pop-ups is now increasing and is likely to do so further.

- **Stage 2b. Capture customer information to maintain relationship**. Capturing profile information is commonly achieved through an online form such as that within the lightbox shown in Figure 6.4 (1), which the customer must complete to receive the offer. It is important to design these forms to maximise their completion. Factors that are important are:
  - *branding* to reassure the customer;
  - *key profile fields* to capture the most important information to segment the customer for future communications – for example, postcode, airport and preferred activities (not too many questions should be asked);
  - *mandatory fields* – mark fields that must be completed or, as in this case, only include mandatory options, in this case to select an interest in clothing;
  - *privacy* – 'we will not share' is the magic phrase to counter the customer's main fear of their details being passed on; a full privacy statement should be available for those who need it;
  - *KISS* – 'Keep it simple, stupid' is a well-known American phrase;
  - *WIFM* – 'What's in it for me?' Explain why the customer's data is being captured; what benefits it will give them;
  - *validation* – of email, postcode etc., checking data as far as possible to make it accurate.

As well as online data capture, it is important to use all customer touchpoints to capture information and keep it up to date, since this affects the ability to target customers accurately. Figure 6.5 provides a good way for a company to review all the possible methods of capturing email addresses and other profile information.

Figure 6.5 Matrix of customer touchpoints for collecting and updating customer email contact and other profile information

	New customers	Existing customers
Online touchpoints	• Online incentive such as prize draw (B2C) or white paper download (B2B) • Viral marketing • E-newsletter opt-in on site • Registration to view content or submit content to a community forum • Renting list, co-branded email or advertising in third-party e-newsletter to encourage opt-in • Co-registration with third-party sites	• Capture email when customer first registers or purchases online • E-newsletter and other methods given on left
Offline touchpoints	• Direct mail offer perhaps driving visitors to web • Trade shows or conference • Paper response to traditional direct mail communication • Phone response to direct mail or ad	• Paper order form, customer registration/product warranty form • Sales reps – face to face • Contact centre – by phone • Point of sale for retailers

Customer profiling
Using the website to find out a customer's specific interests and characteristics.

Apart from the contact information, **customer profiling** information is also important so that relevant content and offers can be delivered to them. For example, B2B company RS Components asks for:

- industry sector;
- purchasing influence;
- specific areas of product interest;
- how many people you manage;
- total number of employees in company.

Once initial data about a customer has been collected, it can be enriched by adding other data to gain a better understanding of customer needs and behaviours. This is sometimes known as progressive profiling. The risk here is that if data is entered into different systems, data quality issues may arise with inaccurate data. Management measures should be put in place to create an accurate **single customer view**. This is a significant issue with CRM systems since data can be collected offline and in different online systems such as on the website, transactional e-commerce, or within social media and a separate email system.

Single customer view
Customer profile information is kept consistent across systems to maintain customer data quality.

- **Stage 3: Initiate dialogue using online communication.** To build the relationship between company and customer it's common to send a welcome email as shown in Figure 6.4.(2) or a mobile message. This may provide a discount, but should also communicate brand positioning and online value proposition. Clinique provides a good example of a brand with an effective welcome sequence of multiple emails.
- **Stage 4. Maintain dialogue using relevant online and (where needed) offline communication.** After an initial welcome sequence, it's common to send a newsletter or campaign emails to showcase a brand's offer to the prospect or customer. In Figure 6.4 (3) the e-newsletter is tailored using **dynamic content insertion**, where the customer preferences are accessed from the CRM database to recommend relevant products based on what they have browsed on the site or purchased previously.

Dynamic content insertion
Copy, creative and offer, in an email is customised in an automation service based on rules or real-time content to increase its relevance to the recipient with the aim of increasing response.

Direct mail or phone contact may still be cost-effective forms of communication, particularly within B2B markets, since these can also be tailored and may have more 'cut-through' compared to an email. With direct mail campaigns the aim may be to drive traffic to the website in a web response campaign using techniques such as:

- online competition;
- online web seminar (webinar);
- sales promotion.

A further objective in stages 3 and 4 is to improve customer information quality. In particular, emails may bounce – in which case offline touchpoints need to be planned to contact customers for their latest addresses.

With the advent of social media marketing, the permission marketing concept has been applied to social networks where opt-in involves 'liking' a brand on Facebook or following a company on Twitter, LinkedIn or Instagram. Of course, email offers a key benefit over social media channels since messages can be tailored to the individual.

Writing for *What's New in Marketing*, Chaffey (2004) extended Godin's principles to CRM with his 'e-permission marketing principles', which remain relevant for reviewing use of email marketing and other messaging types:

- **Principle 1.** *Consider selective opt-in to communications*. In other words, offer choice in *communications preferences* to the customer to ensure more relevant communications. Some customers may not want a weekly e-newsletter; rather, they may only want to hear about new product releases. Remember opt-in is a legal requirement in many countries. Three key communications preferences options, selected by tick box, are:
  - *content* – news, products, offers, events;
  - *frequency* – daily, weekly, monthly, quarterly alerts or digests;
  - *channel* – email, social network, direct mail, phone or SMS.

- **Principle 2.** *Create a 'common customer profile'*. A structured approach to customer data capture is needed, otherwise some data will be missed – as is the case with the utility company that collected 80,000 email addresses, but forgot to ask for the post-code for geo-targeting! This can be achieved through a common customer profile – a definition of all the database fields that are relevant to the marketer in order to understand and target the customer with a relevant offering. The customer profile can have different levels to set targets for data quality (level 1 is contact details and key profile fields only, level 2 includes preferences and level 3 includes full purchase and response behaviour).
- **Principle 3.** *Offer a range of opt-in incentives*. Many websites now have 'free–win–save' incentives to encourage opt-in, but often it is one incentive fits all visitors. A bundle of incentives or different incentives for different audiences will generate a higher volume of permission, particularly for business-to-business websites.
- **Principle 4.** *Don't make opt-out too easy*. Often marketers make it too easy to unsubscribe. Offering some form of opt-out is now a legal requirement in many countries due to privacy laws and can help deliverability rates for email. However, wise permission marketers such as Amazon use the concept of 'My Profile' or a 'selective opt-out'. Instead of unsubscribe, they offer a link to a 'communications preferences centre' web form to update a profile that includes the option to reduce communications, which may be the option taken rather than unsubscribing completely.
- **Principle 5.** *Watch, don't ask (or 'sense and respond')*. The need to ask interruptive questions can be reduced through the use of monitoring clicks to better understand customer needs and to trigger follow-up communications. Some examples include:
  - monitoring click-through to different types of content or offer;
  - monitoring the engagement of individual customers with email communications;
  - follow-up reminders to those who don't open the email first time.
- **Principle 6.** *Create an outbound contact strategy*. Online permission marketers need a plan for the number, frequency and type of online and offline communications and offers. This is a contact or touch strategy, which is particularly important for large organisations with several marketers responsible for email communications. We describe contact strategies in more depth in the next section.

Say and Southwell (2006) give an example of a permission-based campaign to promote a new interactive banking service. The campaign objectives and results (in brackets) were to:

- capture 5,000 mobile phone numbers from customers (200 per cent of plan);
- acquire 3,000 email addresses (176 per cent of plan);
- raise awareness about the new service (31,000 customers viewed demonstration);
- create 1,000 new registrations (576 per cent of plan).

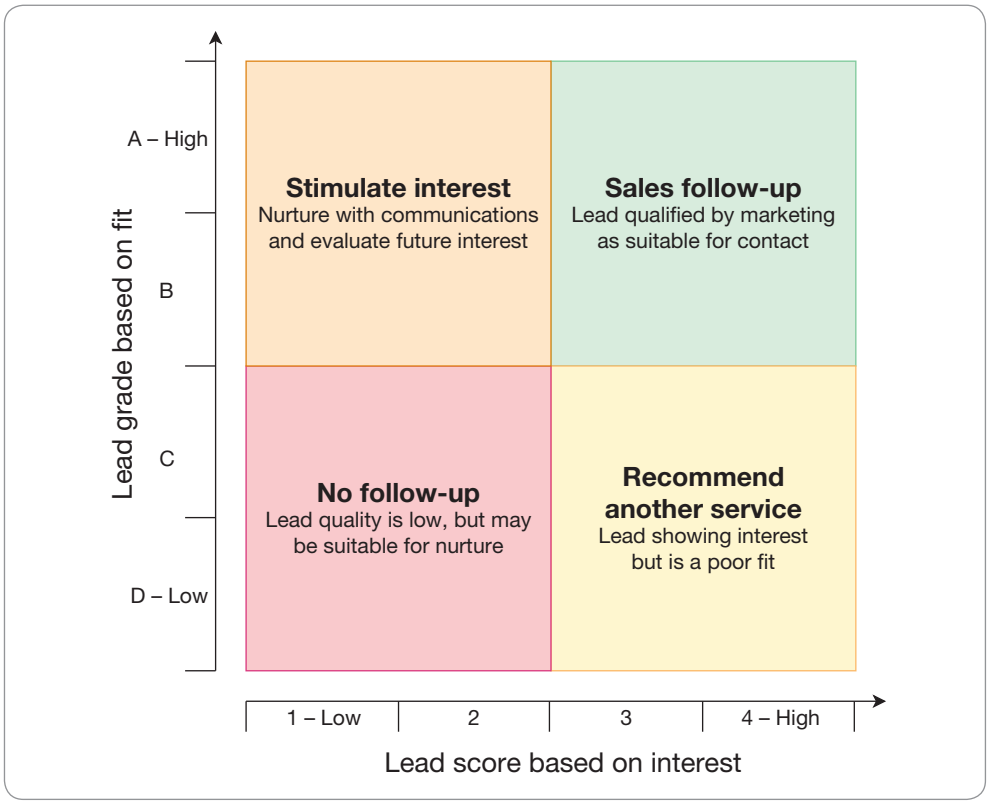
Lead scoring
A technique to measure interest in a business's services based on a lead's behaviour. Typically based on scoring interaction with different types of content, with points potentially taken away for inactivity. The higher the score, the more interested a lead is and therefore better suited for a sales conversation. Typically, leads are graded from 1 (highest interest) to 5 (lowest interest).

Lead grading
A technique to measure fit with an organisation's services based on profile information such as job title, company size or sector. Typically, leads are graded from A (best fit) to E (poorest fit).

Profiling leads with lead scoring and lead grading

Lead scoring and **lead grading** are data-driven marketing techniques often used for high-value B2B marketing services, which assess a person's profile and behaviour to determine whether they have potential to become a customer, i.e. are they a 'hot lead' or less likely to convert? This is a powerful technique since some businesses may receive hundreds or even thousands of new database contacts each month as a result of inbound permission marketing techniques. Lead scoring and grading enables businesses to prioritise their time in contacting prospects by phone to ask about their interest in a service. It can also be used to target email, text messages or ads to people with different levels of interest and fit. Most marketing automation systems such as Salesforce Pardot and HubSpot use a scoring system like this to represent lead scoring and grading, although these features are not always used. Consultants experienced in lead scoring may be required to customise the marketing automation system for each business, as described in Mini case study 6.2. Although this technique is typically deployed in B2B marketing it can be applied to consumer services that

Figure 6.6 The relationship between lead scoring and lead grading



are high value and/or have an extended decision time. For example, a luxury travel agency could classify new enquirers in this way.

Figure 6.6 shows the relationship between lead scoring and grading, defining four segments of leads. Lead scoring and grading breaks these down further based on the codes shown on the axis. Highest scores top right are A1 and lowest scores, in the bottom left, are D4 (some businesses may break this down with a different granularity, for example to A1 to C3 or A1 to E5). Note that the terminology of lead scoring and grading may overlap; it's commonplace to base lead scoring solely on fit (without behaviour), in this case it is confusingly still called lead scoring, although strictly it is lead grading.

Marketing qualified lead (MQL)
A prospect who has indicated interest in what a brand has to offer based on assessment of their interaction with a brand or stated preference.

Sales qualified lead (SQL)
A prospect who has indicated they are potentially interested in purchase, typically through interaction with a business development person.

The highest-quality leads categorised as **marketing-qualified leads (MQLs)** typically warrant follow-up by a phone call and, if they are confirmed as a suitable fit, will be recorded as **sales-qualified leads (SQLs)** in the CRM system. SiriusDecisions (Aguiar, 2018) explains the different types of MQLs and SQLs in more detail in its Demand Waterfall process.

Note that the system is not precise, since a lead may show a good fit but may not have interacted much on the website since they received information elsewhere, such as at a trade show. For this reason, manual inspection of all leads may also be valuable. For expensive B2B services, account-based marketing (ABM) techniques may be used to identify other people in the decision-making unit that are also involved in deciding on a purchase. This involves identifying multiple people from a company to target, for which LinkedIn Sales Navigator can be used, and then contacting them through social selling or phone-based prospecting.

Lead nurture
A communications process aimed at developing purchase intent in a prospect by increasing brand favourability and familiarity.

People with lower scores such as C1, C2 or B3, B4 are added to **lead nurture** segments where there is no proactive approach to contact leads since the purchase may not occur immediately.

Mini case study 6.2 Using lead scoring and grading to improve B2B communications relevance

This is an example of how a B2B organisation has used customised lead scoring using a marketing automation system to identify its most suitable prospects.

As a provider of information security audits and services, Kirkpatrick Price uses the automation software 'Pardot', which is part of Salesforce, to manage lead generation and nurture activity. MarCloud Consulting was commissioned to set up lead scoring and grading in Pardot since experience is needed to customise it. The aim was to allow the team to better understand the quality of the database and transform the way they collect, manage and respond to leads.

Although the business is using a well-established, capable automation solution, it requires expertise to get the full benefits from it. As Mike Ferguson, the Marketing Director at Kirkpatrick Price, explains:

> *The team at MarCloud has provided us with a level of guidance and expertise that is unrivaled. Previously, whether wrestling with online support documentation, or trying to hunt down solutions through Google searches and video tutorials, we were always unsatisfied with results and we really were unable to tap into Pardot's full capabilities. With MarCloud's help, though, we've been able to get caught up on best practices, and we're already seeing results.*

MarCloud Consulting used these grading and scoring model criteria:

1. Grading profiles were set up based on business size:
   - mid–medium;
   - small;
   - large corporation.
2. The criteria evaluated to assess relevance of leads to future sales for Kirkpatrick Price were:
   - country;
   - industry;
   - job title;
   - annual revenue;
   - number of employees.

Single-letter amends were defined, meaning lead grades increased or decreased as whole numbers, not thirds. For example, strong country = USA increased from a grade C to a B.

These custom grading profiles were combined with a custom scoring model based on website sections visited, which were organised into folders based on services prospects were interested in.

The threshold was set at 49 and leads who reached this threshold became assigned to a sales user when:

> *Prospects score 49 or higher, are not already assigned and nor have they been a member of the Remote Service Campaign Suppression list.*

Additionally, an automation rule was added to create a Salesforce Task when the match is '*Prospect has met threshold - please get in touch*'. This alerted the business development team to follow up when a prospect was designed to fit.

Scoring degradation was also considered:

- Automation rule (if not interacted in 1 year and over – reset score to 0) – this actually matched 14,000 prospects.
- Prospect score >0 & Grade = <C & Prospect is inactive for 3 months AND Prospect score >0 & Grade = >B & Prospect is inactive for 6 months – score will be reduced by 20 points each time they are inactive for that period of time.

All of the above was designed to make it immediately visible to the client how many prospects within their database were actively engaged *and* high priority. It automated the lead assignment process too, which meant hours saved for the marketing and sales teams.

When the global pandemic began, Kirkpatrick Price quickly realised it needed to use its new automated approach to promote its remote services, in order to maintain momentum throughout lockdown and beyond.

Campaign goals and objectives

The business goals were to keep leads, sales and revenue coming in.

The objectives of the Pardot campaign were to:

- Generate leads for 'Remote Services' via form submission on the Kirkpatrick Price website.
- Enable the sales team to quickly follow up with qualified leads.
- Ultimately, deliver new clients and revenue for Kirkpatrick Price.

The campaign method was to use Pardot Engagement Studio, combined with segmented lists, to automate a sequence of ten emails, all tailored towards the services that the client wanted to promote.

This involved the creation of:

- 10 emails with the call-to-action to visit the 'Remote Services' page of the Kirkpatrick Price website. On this page is a 'get in touch' form.
- 3 dynamic lists, one with high grades and high scores, one with good grades and good scores, and the last with fair grades and fair scores.
- A siloed scoring category for 'Remote Services', to highlight how engaged a prospect is in this specific area of the Kirkpatrick Price business.
- A Salesforce campaign that could assign prospects based on their status in the marketing campaign, which highlighted if a prospect had joined the campaign, was a marketing-qualified lead, or a sales-qualified lead (meaning the opportunity had been converted to a sale).

Results

As a result of the robust 'Remote Services' automated campaign, MarCloud Consulting generated the following for Kirkpatrick Price:

- An email open rate of 26 per cent.
- 36 marketing-qualified 'opportunities', meaning that the prospects had met the scoring threshold, or submitted the 'Remote Services' form on the website and had reached the sales team.
- Two long-term contracts.
- US$78,000 in revenue.

All of this was delivered while working with an initially 'cold' database and using strategy combined with technology to achieve success.

Sources: Personal communication and quote prepared by Tom Ryan of MarCloud Consulting (**https://marcloudconsulting.com/**; **https://www.linkedin.com/in/thomasmatthewryan/**)

Defining contact strategies

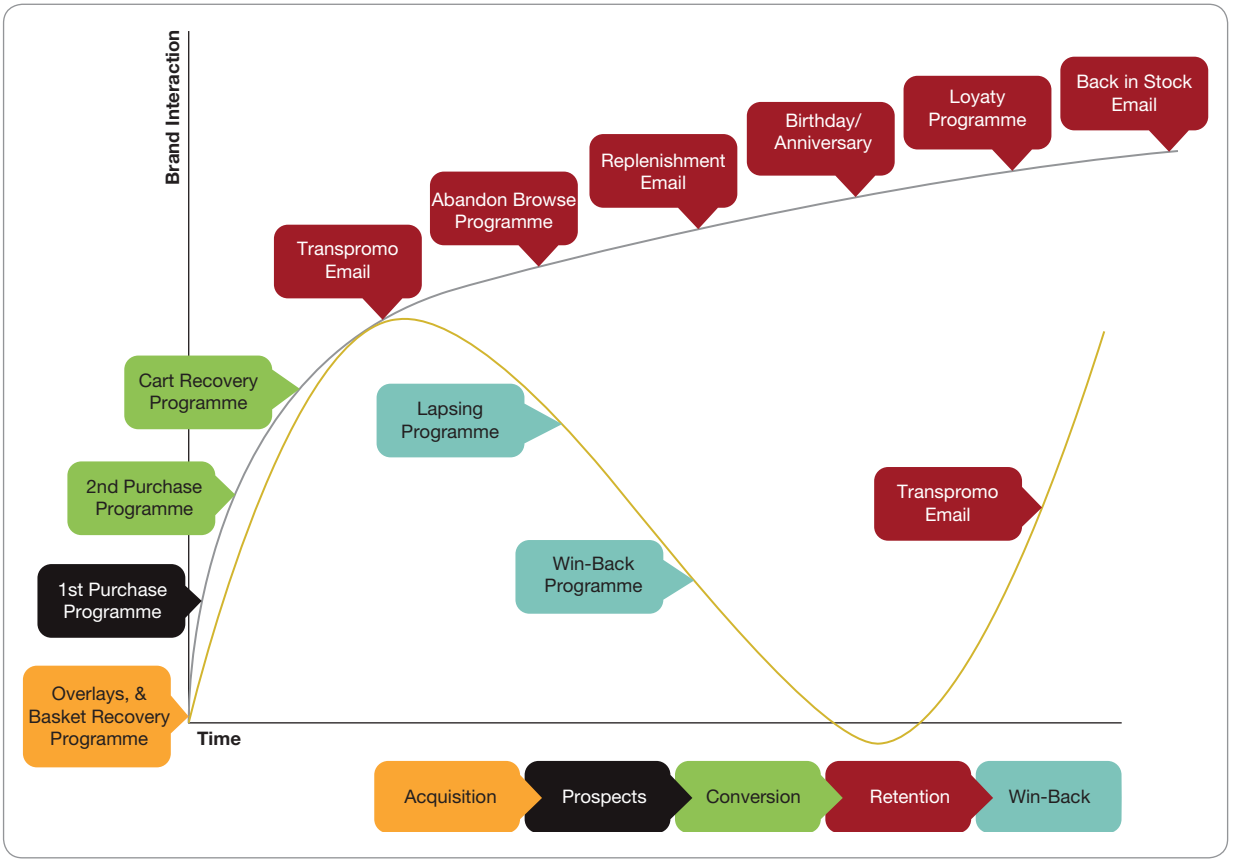
Developing contact strategies that define the trigger, aims, messaging, offer and time interval for communications is a vital skill to develop the most effective customer communications programme. Figure 6.7 shows recommendations of different contact strategies from Kath Pay, an email marketing automation consultant who created this visual to show the opportunity for retailers to communicate with their audiences via email.

Let's now look in more detail at examples of contact strategies at different points in the customer lifecycle. An example of a welcome contact strategy is shown in Table 6.1.

Note that additional customisation through a dynamic content email is possible based on knowledge of the subscriber. Dynamic content can also be added to panels of an e-newsletter to increase engagement. This can also include real-time information – for example, a retailer could include weather information or stock levels.

Mini-case study 6.3 gives another example of a contact strategy, when a retailer can gain sales by following-up with an email (or push notification) after a 'basket abandon', i.e. a shopper has browsed products, added one to their shopping cart or basket, but not purchased. The case shows how these types of communications need to be planned or tested.

Figure 6.7 Options for lifecycle email marketing messages for a retailer



Source: Kath Pay, Holistic Email Marketing (2016) What is lifecycle marketing?, **https://www.holisticemailmarketing.com/blog/what-is-lifecycle-marketing/** (accessed 30 July 2018)

Table 6.1 Example of welcome contact strategy

Message type		Interval/trigger condition	Outcomes required	Medium for message/ sequence
1	Welcome message	Guest site membership sign-up immediate	Encourage trial of site services Increase awareness of range of commercial and informational offerings	Email, post-transaction page
2	Engagement message	1 month inactive (i.e. no visits)	Encourage use of forum (good enabler of membership) Highlight top content	Email, home page, side panels deep in site
3	Initial cross-sell message	1 month active	Encourage membership Ask for feedback	Email
4	Conversion	2 days after browsing content	Use for range of services for guest members or full members	Phone or email

Mini case study 6.3 WHSmith uses behavioural email to encourage engagement

Behavioural email marketing or remarketing is a classic 'sense-and-respond' marketing automation approach. In this case, a classic abandoned shopping cart follow-up email, but with three alternative communications that were tested, with these results:

1. Generic branded follow-up email: + 10 per cent conversion rate.
2. Personalised remarketing email with a promotional code for a 5 per cent discount time-limited to 72 hours: + 100 per cent conversion rate.
3. Personalised remarketing email with a promotional code for a 5 per cent discount time-limited to 48 hours: + 200 per cent conversion rate.

A survey was conducted (VE Interactive) of those customers who had clicked through from the remarketing emails and had made a purchase, but who hadn't actually used the promotional codes! Interestingly, it was found:

- these customers had still reacted to the remarketing email as a prompt to return to the WHSmith website;
- it was the expiry date of the call to action that had prompted them to return, even though they did not then take advantage of the 5 per cent discount promotional code.

Source: VE Interactive Case Study published on Smart Insights (Marketing Intelligence) Ltd: **www.smartinsights.com/email-marketing-ecrm-alerts/email-remarketing-an-example-of-how-to-test/** (accessed January 2015)

Another situation where automated communications need to be put in place is for the 'emotionally' unsubscribed who are inactive members of an email subscriber list. They represent a significant issue in the management of customer email marketing programmes. The orange curve in Figure 6.7 shows how engagement can fall from the level shown.

Although unsubscribe rates are usually low (for example, less than 0.1 per cent per email sent) there can be upwards of 50 per cent of a list who are 'emotionally unsubscribed' – i.e. they are not actually unsubscribed, but rarely open or click, suggesting that email is not an effective communications channel.

To avoid this and to maintain engagement, it is important to ensure that the contact strategy has been planned and implemented to deliver relevant messages. The lapsed and 'win-back' contact strategies in Figure 6.7 show how these can be addressed. Some other steps that can be taken to manage this issue include:

- Measure the level of activity in email response at a more granular level, e.g. review open, click, purchase rates or other actions at different points in time compared to when the subscribers first signed up. Response rates from different segment types who have taken different actions can also be reviewed to see how engaging they find the e-newsletter.
- Test different frequencies. It may be appropriate to reduce frequency if customers become 'emotionally unsubscribed' and then emails received will have a larger impact. List members can also be surveyed for their preferences, possibly as part of a reactivation campaign.
- Develop automated customer lifecycle emails as part of the contact strategy, which are relevant and tailored according to the interests of the subscriber. Lifecycle emails will include welcome email contact strategies, reactivation email strategies and other service messages such as customer feedback surveys.
- Ensure the fields that are used to customise messages are those that are most likely to be relevant. Often these won't be the obvious fields such as gender, but contextual information related to content or products that have been recently consumed.
- Use offline communications such as direct mail and phone where list members express a preference for these.

Data-driven marketing techniques

Split testing
Different groups within an audience receive alternative communications with different creative, offer or frequency to determine which is most effective to inform the communications used for future campaigns.

Hold-out testing
A group within an audience is excluded from communications to compare their behaviour or value compared to other groups that receive alternative forms of communications such as different offers or different frequency.

Predictive analytics
Using analysis, data mining and statistical modelling of historical data about customer interactions and their profile to predict future outcomes, for example by scoring customer propensity to respond to a specific offer. This can be used to inform future personalised communications by tailoring the timing, message or offer.

Customer preferences centre
Profile page(s) that enables customers to tailor the type and frequency of communications they receive.

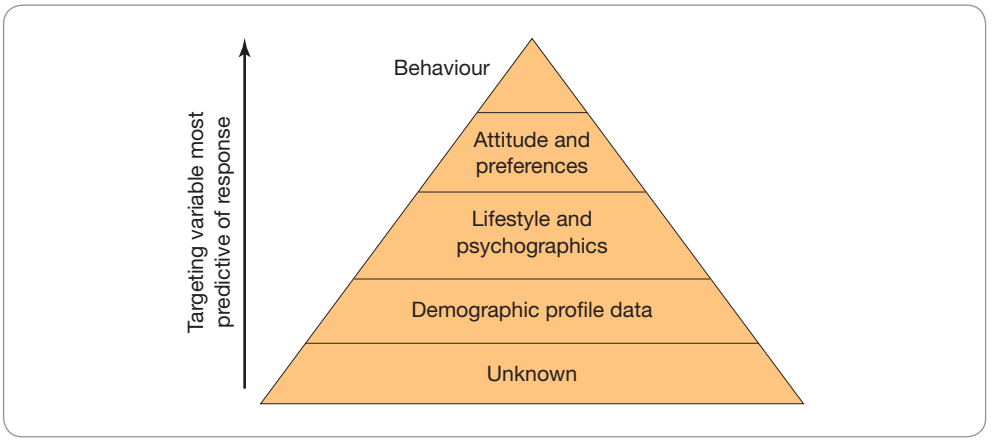
Data-driven marketing is an established practice. Direct marketers sending costly large-volume mailings have traditionally tested different creative and offers using **split-testing** to test different elements of their communication before sending out the best performing offer to a larger audience. They also use **hold-out testing** where a control group are excluded from a campaign to understand the incremental effect of changing communications.

Such techniques are now also useful for applying a test, learn, refine approach to digital marketing communications such as emails sent to customers or ads within social media feeds. Advances in software have also enabled more sophisticated data-driven marketing approaches that enable individuals to receive communications customised for them based on knowledge of their preferences and previous behaviours, such as interaction with web or email content, which are stored in customer databases. In this section, we will review the considerations for personalisation and look at more recent **predictive analytics** techniques for applying artificial intelligence, which are beneficial to harness the large volumes of data available about online customer interactions.

Personalisation and mass customisation

Increasingly, companies gather much personal data through the application of digital technology and then use it to develop personalised communication messages, with the aim of making the content appear more aligned to an individual's interests. The different targeting variables shown in Figure 6.8 can be used to deliver more relevant, contextual personalised email or web messages. The targeting techniques towards the apex of the pyramid tend to elicit the highest response since they are based more on a consumer's current needs and characteristics. However, not all individuals respond favourably; indeed some react negatively towards brands that adopt this approach because of fears over security of personal data and the feeling they are being manipulated (Tucker, 2014). The research question was: 'How strengthening privacy controls affects advertising performance', using Facebook advertising campaigns. Tucker (2014) found that when individuals were given more control over privacy settings they were more likely to respond positively to personalised communications. The implication is that brands should consider giving individuals more control over how their information is used – for example, through tailoring content they receive via email through a **customer preferences centre**.

Figure 6.8 The extent to which different types of segmentation variables tend to be predictive of response



Personalisation
Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals..

Mass customisation
The creation of tailored marketing messages or products for individual customers or groups of customers typically using technology to retain the economies of scale and the capacity of mass marketing or production.

Collaborative filtering
Recommended content or promotions are automatically created based on reviewing similarities in how customers behave.

Customer identity and access management (CIAM)
A category of application for managing user access and consent to online information and services typically known as social log-in or sign-on.

Recommendations based on profile information, behaviour or predictive analytics are usually known as **personalisation** or sometimes **mass customisation**. A well-known example of personalisation is when Amazon recommends similar products according to what others in a segment have offered.

Collaborative filtering is a method of implementing personalisation where site visitors are recommended content or offers by comparing them with customers in its database. The best-known example of this technology in action can be found on the Amazon website (**www.amazon.com**), where the database reveals that customers who bought book X also bought books Y and Z. This is a more sophisticated machine learning or AI-driven technique, compared to simple rules-based personalisation where visitors in categories are given fixed personalised recommendations.

Customer identity management

Permission-based marketing and the automation of marketing information can create issues in respect of consumer privacy law (as discussed in Chapter 3). Careful management is required to ensure protection of customer data and this should lead to better-quality targeting. The concept of **customer identity and access management (CIAM)** is one element of this requirement. Forrester (Maxim *et al.*, 2017) explains these benefits of CIAM services, which are available from CRM-independent CIAM providers, such as Akamai™ Identity Cloud, SAP™ Gigya™, LoginRadius™, Auth0™, and CRM™ providers such as Salesforce and Microsoft:

- **Streamline new customer acquisition and registration processes through social log-in.** Allowing customers to use bring-your-own-identity (BYOI) from a recognised social identity provider, such as Facebook, Google, LinkedIn or PayPal, and preregister on a site is a large component of many CIAM implementations.
- **Manage user consent to meet compliance with global privacy requirements.** Multinational brands with millions of customers must address demands globally where different regions and countries have different privacy requirements.
- **Provide user-centric capabilities for preference management.** This involves updating communications preferences or opting-out in a preference centre.
- **Integrate with other systems and report on performance.** CIAMs can integrate with CRM systems, but do not replace their messaging functionality.

Applying artificial intelligence and Big Data to support data-driven marketing

'Big Data' is a high-level term used to describe analysis techniques and systems that exploit the large volumes of data that are now captured by businesses. Marketing applications of Big Data exploit the different types of data now collected when businesses interact with their audiences. The two main benefits of Big Data for marketing are:

- identifying insights such as trends and patterns through analysis of large, complex, interrelated data sets, which can inform future strategies and tactics;
- identifying success factors to make communications more relevant by improving messaging – for example, by selecting the best timing, copy or offers.

An example of the insights that are available from Big Data that can be applied is provided by the US retailer Target™. Using data about women's shopping habits, Target was able to identify that a woman buying large quantities of unscented lotion, cotton balls, supplements and washcloths might mean that she's anywhere from a few weeks pregnant, to very close to her due date. Of course, such approaches have their risks. In one case, a teenager received direct mail from Target promoting 'cribs and bibs' – before she had even told her father about the pregnancy (Hill, 2012).

Figure 6.9 A summary of the three main dimensions of Big Data

Source: Soubra (2012)

Big Data for marketing
'Big Data' refers to applications to gain value from the increasing volume, velocity and variety of data integrated from different sources. These enhance insight to deliver more relevant communications through techniques such as marketing automation and social CRM.

Artificial intelligence
Software and services that perform tasks previously requiring human analysis and interaction. Marketing applications of AI typically aim to improve business-to-customer communications including targeting media, personalised messaging and customer service interactions.

Machine learning
Creating and applying predictive models and algorithms with the ability to learn without being explicitly programmed. The computer models then make predictions of success based on patterns extracted from historical data. These are used to define rules, which are implemented to automate tasks such as targeting media or emails to the most valuable segments with the most relevant creative offer and timing.

The opportunity and challenge of **Big Data for marketing** is often described from a technical point of view using the three dimensions, or vectors, shown in Figure 6.9:

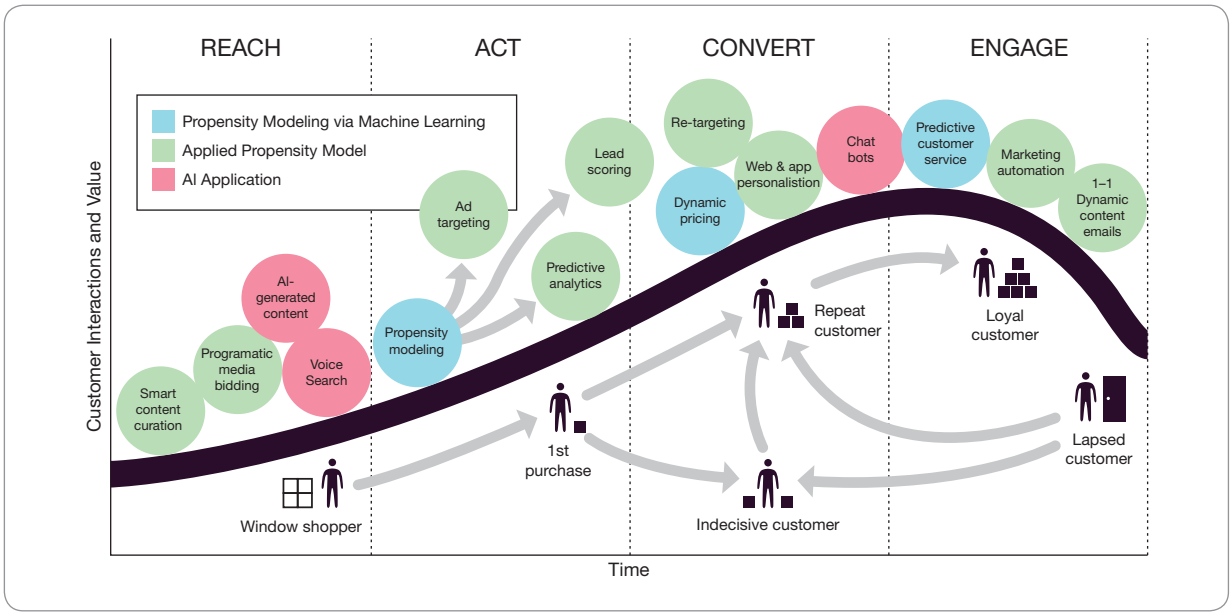
- **Data volume** refers to the increase in data that is now available for online interactions with websites and social media.
- **Data velocity** shows how marketers now have access to real-time data, such as real-time analytics of interactions on web and mobile sites, and also social media interactions.
- **Data variety** shows how new types of unstructured data, including, again, social media interactions, offer potential too. This also suggests the potential of integrating different sources of data to gain more customer insight.

Some have argued that 'Big Data' is a classic example of 'The Emperor's New Clothes' fable – i.e. it is a term created by systems vendors and consultants to generate demand for services that have been previously available under another label. Others note that many marketers are not exploiting the 'Small Data' available through campaign reporting and digital analytics, discussed in Chapters 8 and 10. Since initial launch of the Big Data concept, new practical **artificial intelligence** and **machine learning** technologies have developed to help marketers analyse and apply the insights.

Artificial intelligence for marketing

The visual in Figure 6.10 defines the many opportunities of applying artificial intelligence in marketing, structured around the Smart Insights RACE customer lifecycle we introduced in Chapter 1.

Figure 6.10 Marketing applications of artificial intelligence through the customer lifecycle



Source: Smart Insights (2021) 15 Applications of artificial intelligence in marketing for 2022, Smart Insights blog article by Dave Chaffey, 25 August

1 AI-generated content

For some types of content, AI-based natural language generation (NLG) writing programs are able to pick elements from a dataset and structure a 'human-sounding' article. An AI writing program called WordSmith from Automated Insights has been applied in several sectors (Automated Insights, n.d.):

- Associated Press produces nearly 4,000 company earnings articles quarterly – a 12-fold increase over its manual efforts.
- Processor vendor NVIDIA uses NLG and Tableau's visual analytics to optimise internal reporting.
- Vivint Smart Home generates thousands of localised web pages, boosting SEO efforts and generating a 5× increase in sales.
- GreatCall delivers over 50,000 personalised narratives a week using natural language generation.
- **Bodybuilding.com** generates over 100,000 workout recaps every week to help users reach their fitness goals.

Another marketing-based AI application that can be used by email marketers is Phrasee (**www.phrasee.co/about/**). This uses AI technology to generate and optimise effective subject lines for emails. By using vast amounts of data on the effectiveness of email subject lines, it is able to get better results in terms of opens and clicks than human copywriters. Persado (**www.persado.com**) provides another NLG predictive analytics tool, which classifies and recommends email content based on its emotional impact.

2 Smart content curation

AI-powered content curation allows you to better engage visitors on your site by showing them content relevant to them. This technique is most commonly found in the 'customers who bought X also bought Y' section on many sites, but can also be applied to blog content and personalising site messaging and services more widely. Think of Netflix's recommendation system being able to consistently recommend you shows you'd be interested in.

3 Voice search and conversational user interfaces

Voice search appliances or personal assistants have been developed by major online platforms such as Facebook, Google, Amazon and Apple after the initial launch by Amazon of its Alexa home appliance. The implication for marketers is that as search queries become more conversational, they need to ensure they are answering the questions posed by searches in natural language.

4 Programmatic media bidding

Programmatic media buying can use propensity models generated by machine learning algorithms to more effectively target ads at the most relevant customers. This uses the Real-time feature of Big Data, since bidding for the most suitable audience to deliver content to occurs in real time when a publisher serves an ad.

5 Propensity modelling

Propensity modelling is the goal of a machine learning project. The machine learning algorithm is supplied with large amounts of historical data, and it uses this data to create a propensity model that is able to make accurate predictions about the real world. An example is shown in Mini case study 6.4.

Mini case study 6.4 | **Taking the guesswork out of CRM – how Guess™ uses predictive analytics**

In an interview with Guess's Director of Marketing – CRM, Victoria Graham (Kivilis, 2014) describes different opportunities for the brand in the way the company uses predictive analytics. The first opportunity was combining multiple customer and transaction data sources. Graham explains:

> *All of our analysis was based on past purchases behaviour. We're not data scientists, we don't have PhDs in our office, so any predictive analysis – like who might buy in the future, and what a customer might buy in the future – was not something that we were able to capture.*

Guess applied predictive analytics by first identifying and understanding its customers across two dimensions: purchase-based customer personas and high-value customers. These insights were then applied to predict future purchase response to acquisition and retention campaigns. This has prompted a change in the Guess email strategy. Three years previously they had been emailing customers three, possibly four times a week. Graham says:

> *We were very much 'batch and blast', and our email calendar was driven by our merchant team: if there's a product launch, or a big promotion, like 40% off all sweaters, that was driving the email calendar. We're now in the process of changing that.*
>
> *We've been cognisant of the fact that it is quite likely that we were irritating our customers with constantly talking to them. We had two options when we talked about getting personalised with our emails: one option was to cut back on emails. If today's email is about denim, and you like accessories, you just don't get today's email. But the thought of cutting down the number of emails we send out was scary. The other option was, if we're going to email everyone every day, let's talk to them in a way that's meaningful and relevant to them.*

In a test, they isolated the accessories persona and the non-accessories persona. They compared the accessories customers who received the accessories-focused email (group A) to accessories customers who received the regular email (group B). The click-through rate and conversion rate of group A far exceeded those of group B.

Another analytical approach was identifying high-value customers to optimise acquisition. This dispelled a lot of assumptions according to Graham, such as assuming that top customers were metropolitan customers, who liked core products like denim, but also loved accessories. This wasn't necessarily the case, as Graham explains:

> *When we looked at where our customers really over-index and differentiate themselves from the rest of our customer database, they found that they were more likely to live in suburban areas. Arizona popped as a big state for high lifetime-value customers. Their first purchase tended to be a knit or a sweater or denim.*

Note that techniques do not necessarily require an expensive recommendations engine, except for very large sites.

6 Predictive analytics

Propensity modelling can be applied to a number of different areas, such as predicting the likelihood of a given customer to convert, predicting what price a customer is likely to convert at, or which customers are most likely to make repeat purchases. This application is called predictive analytics because it uses analytics data to make predictions about how customers behave. The key thing to remember is that a propensity model is only as good as the data provided to create it, so if there are errors in the data or a high level of randomness, it will be unable to make accurate predictions. Marketers should question analysts about how representative the data set is and the statistical validity of the predictive model.

7 Lead scoring

Propensity models generated by machine learning can be trained to score leads based on certain criteria so that your sales team can establish how 'hot' a given lead is, and if it is worth devoting time to. This can be particularly important in B2B businesses with consultative sales processes, where each sale takes a considerable amount of time on the part of the sales team. By contacting the most relevant leads, the sales team can save time and concentrate their energy where it is most effective. The insights into leads' propensity to buy can also be used to target sales and discounts where they are most effective.

8 Ad targeting

Machine learning algorithms can run through vast amounts of historical data to establish which ads perform best on which people and at what stage in the buying process. Using this data, companies can serve them with the most effective content at the right time. By using machine learning to constantly optimise thousands of variables you can achieve more effective ad placement and content than by using traditional methods.

9 Dynamic pricing

All marketers know that sales are effective at shifting more product. Discounts are extremely powerful, but they can also hurt your bottom line. If you make twice as many sales with a two-thirds smaller margin, you've made less profit than you would have if you didn't have a sale.

10 Web and app personalisation

Using a propensity model to predict a customer's stage in the buyer's journey can let you serve that customer, either on an app or on a web page, with the most relevant content. If someone is still new to a site, content that informs them and keeps them interested will be most effective, while if they have visited many times and are clearly interested in the product then more in-depth content about a product's benefits will perform better. We explore this further in Chapter 7.

11 Chatbots

Chatbots mimic human intelligence by being able to interpret consumers' queries and complete orders for them. Specialist chatbot services are available for companies such as retailers to manage their customer services. Alternatively, brands can develop their own approach using APIs from platform providers such as Facebook Messenger and Google Assistant.

Facebook is facilitating the development of chatbots for brands via its Messenger application, which is another form of conversational user interface (UI). For example, Pizza Express™ has launched a new chatbot on Facebook Messenger that allows users to book in its restaurants (Roderick, 2017). Messenger's built-in natural language processing (NLP) can be enabled for a Facebook Page and with the Wit.ai platform will automatically detect meaning and intent in text messages and respond accordingly.

12 Retargeting

Similar to ad targeting, machine learning can be used to establish what content and offers are most likely to bring customers back to the site to purchase again based on historical data. By building an accurate prediction model of what content works best to win back different types of customers, machine learning can be used to optimise your retargeting ads to make them as effective as possible.

13 Predictive customer service

Inbound enquiries of all types can be routed to the relevant support article or customer support person via a series of questions. This rules-based customer service has been used for voice calls. AI enables more natural language questions to be asked, which again helps to route to the most relevant article or person. BentoWeb, Nanorep and LiveWorld are examples of services for this application.

14 Marketing automation and 15 1-1 dynamic content emails

Marketing automation techniques generally involve a series of rules, which trigger interactions with the customer via messaging on email, smartphone notifications or web personalisation. Marketing automation adoption has been limited by the time needed to set up and optimise these rules. Machine learning can analyse customer interaction data and establish when are the most effective times to make contact, what words in subject lines are most effective and much more.

Using data analysis and targeting techniques to increase customer loyalty and value

Customer loyalty
The desire on the part of the customer to continue to do business with a given supplier over time.

The ultimate commercial aim of customer marketing approaches such as marketing automation and CRM is to increase engagement with customers, leading to increased **customer loyalty** and so directing sales from these customers and indirect sales through advocacy. Understanding the different levers that contribute to increased engagement and loyalty among different customer groups should be the starting point in developing a customer retention and growth strategy.

Determining what customers value

Consider the different forms of online interaction a consumer can have with a brand that can determine their perceptions of satisfaction and influence loyalty. Figure 6.11 shows how, when using digital media for online retention marketing, our ultimate goal, on the right of

the diagram, is customer loyalty. The factors on the left help to deliver two main drivers of loyalty. First, **emotional loyalty**, where loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations, including social sharing. The success factors at the top of the diagram are all related to the customer experience of online services (as we will explore further at the start of Chapter 7). These tend to influence emotional loyalty the most, and these are important in determining customer satisfaction.

Emotional loyalty
Loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations.

Behavioural loyalty
Loyalty to a brand is demonstrated by repeat sales and response to marketing campaigns.

The second type of loyalty is **behavioural loyalty**, where loyalty relates to repeat sales, repeated site visits, social interactions and response to marketing campaigns. To achieve these repeat sales, companies work hard to deliver relevant marketing communications, either through email and social media communications, web-based personalisation or through traditional media.

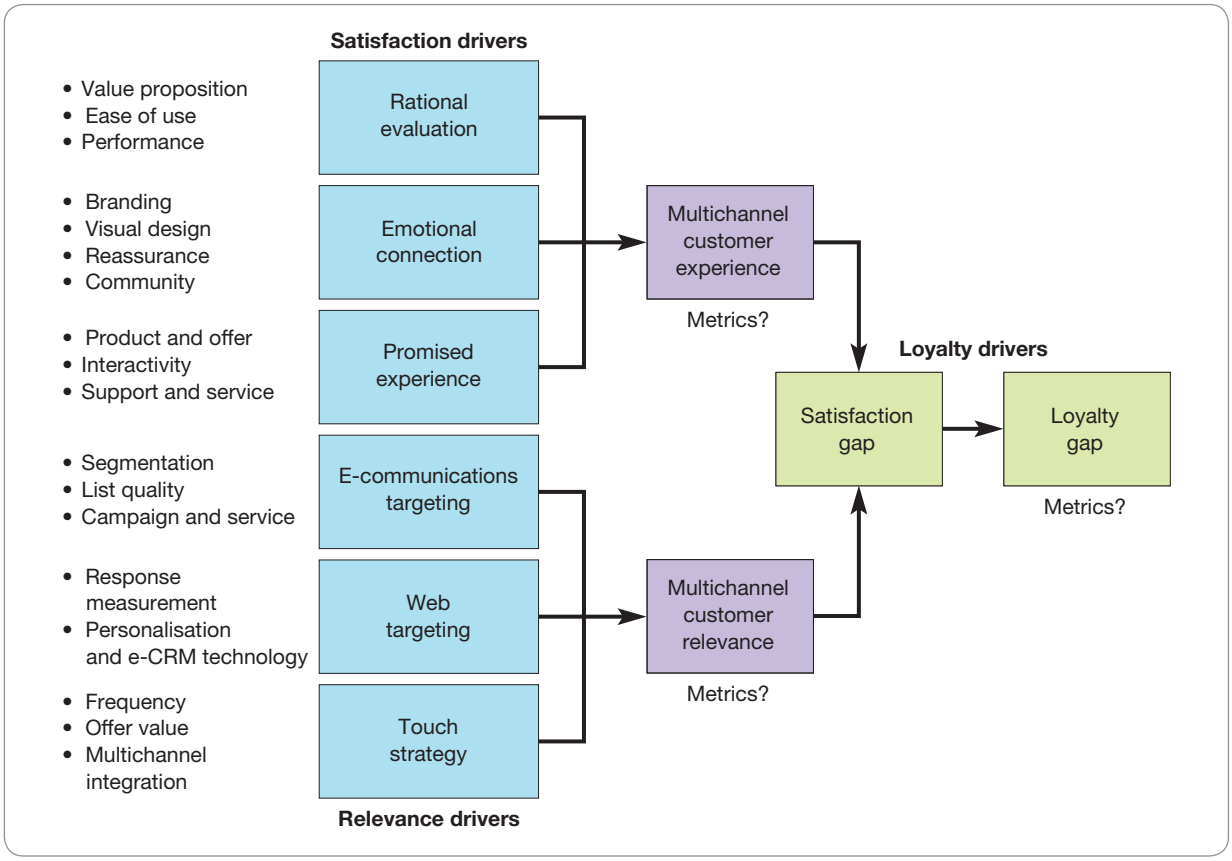
Figure 6.11 shows typical loyalty drivers to review, but customer research is essential to understand how specific factors affect loyalty and how satisfaction influences loyalty.

The relationship between satisfaction and loyalty

Customer satisfaction
The extent to which a customer's expectations of product quality, service quality and price are met.

Although the terms 'satisfaction' and 'loyalty' are sometimes used interchangeably, we have seen that they do not necessarily correspond. **Customer satisfaction** refers to how happy a customer is about the quality of products and services. As a customer's satisfaction with products and/or services increases, so should their behavioural and emotional loyalty, together with advocacy (see Table 6.2 in Mini case study 6.5: How car manufacturers use loyalty-based segmentation).

Figure 6.11 Factors affecting customer satisfaction and loyalty



Mini case study 6.5 How car manufacturers use loyalty-based segmentation

An approach to reconciling customer satisfaction, loyalty, value and potential (SLVP) is to use a value-based segmentation. This modelling approach is often used by car manufacturers and other companies that are assessing strategies to enhance the future value of their customer segments. This approach involves creating a segmentation model combining real data for each customer about their current value and satisfaction, and modelled values for future loyalty and value. Each customer is scored according to these four variables:

- current satisfaction;
- repurchase loyalty;
- current value;
- future potential.

Table 6.2 Loyalty-based segmentation for car manufacturers

SLVP score	Nature of customer	Segment strategy
Moderate satisfaction and loyalty. Moderate current and future potential value	An owner of average loyalty who replaces their car every three to four years and has a tendency to repurchase from brand	Not a key segment to influence. But should encourage to subscribe to e-newsletter club and deliver targeted messages around time of renewal
High satisfaction, moderate loyalty. Low future and potential value	A satisfied owner but tends to buy second-hand and keeps cars until they have a high mileage	Engage in dialogue via email newsletter and use this to encourage advocacy and make aware of benefits of buying new
Low satisfaction and loyalty. High current and future potential value	A dissatisfied owner of luxury cars who is at risk of switching	A key target segment who needs to be contacted to understand issues and reassure about quality and performance

As we have seen, however, there may be customers with a high degree of satisfaction who don't exhibit behavioural loyalty and, conversely, customers who are loyal according to their behaviour but who may be at risk of defection since they are not satisfied. The implications are that it is important not only to measure satisfaction with online services, but loyalty also. In this way, we are able to identify customers at risk of defection who are likely to choose an alternative and those in the zone of indifference. This is an important category of customer who, although they may have a high degree of satisfaction, is not necessarily loyal.

Measuring the voice of the customer in digital media

Online voice of customer (VoC) Qualitative assessments of the effectiveness of digital presence based on direct customer feedback. They answer 'who and why' questions about how customers interact with brands online.

Net Promoter Score (NPS) A measure of the number of advocates a company (or website) has who would recommend it, compared to the number of detractors.

Online voice of customer (VoC) measures are useful for reviewing customer sentiment online. The satisfaction ratings we have reviewed are one example of VoC measures. Another approach, which we will explore in Chapters 7 and 10, is intent-satisfaction surveys where the reasons for why a customer is visiting a site are compared against their success in completing tasks and their satisfaction ratings. This is a key technique for improving online customer journeys.

Net Promoter Score (NPS) is a key VoC measure of advocacy originally popularised by Reichheld (2006) in his book; the 'ultimate question' is essentially 'would you recommend us?'. The aim is to work out techniques to maximise this NPS. Reichheld explains the main process for NPS as follows:

1. Systematically categorise customers into promoters, passives or detractors. If you prefer, you can call them loyal advocates, fair-weather friends and adversaries.
2. Create closed-loop processes so that the right employees will directly investigate the root causes that drive customers into these categories.

3. Make the creation of more promoters and fewer detractors a top priority so employees up and down the organisation take actions based on their findings from these root-cause investigations.

In practice, consumers are asked 'Would you recommend [brand/company X] to a friend or colleague?', answered on a scale between 0 (not at all likely) and 10 (extremely likely). The actual score is calculated by subtracting the percentage of detractors (those giving 0–6 answers) from promoters (9–10s). The middle section, between 7 and 8, are the so-called 'passives'.

So, the idea is that after surveying as many customers as possible (to make it representative) and to show you are listening, you then work backwards to determine which aspects of the experience of interacting with a brand create 'promoters' or 'detractors'.

Using measures to differentiate customers by value and engagement

A core approach to relationship marketing is to focus our limited resources and marketing activities on the most valuable customers. Within the online customer base of an organisation, there will be customers who have different levels of activity or engagement with online services and purchasing. A good example is a bank – some customers may use the online account once a week, others far less frequently and some not at all. Figure 6.12 illustrates the different levels of activity in this case and how the measures can be used to identify customers who have not engaged and to develop automated contact strategies to encourage them to engage. Figure 6.12 (a) shows the situation where a newly registered customer did not interact for five months. Automated reminder communications could encourage a person in this category to engage. Figure 6.12 (b) shows the ideal situation where a person is engaging regularly. Research can be used to find what these people find most useful. Figure 6.12 (c) shows where someone has shown initial interest, but this has lapsed. Figure 6.12 (d) shows someone who has never been active.

In different sectors, suitable thresholds or 'hurdle rates' should be developed to report on overall levels of engagement and purchase behaviour. For online retailers, it's common to report on percentage of customers who are active once a year. For a loyalty programme for a cinema or theatre, it might be the percentage of customers who attend every 30 or 90 days. Using direct communications, such as email, personalised website messages, direct mail and phone communications, to new, dormant and inactive users should increase the percentage of active users. To understand what may limit retention or to test new tactics to increase engagement and loyalty measures, **cohort analysis** can be used. Table 6.3 shows a fictitious cohort analysis for new subscribers to a social media listening service such as Buffer (explored in Case study 6). This cohort analysis covers a six-month period starting in January. For new customers in January, retention data for this cohort is available for all six months. If you imagine there were 100 new customers at the start of January, by the end of month 1 there are 73 customers declining to 35 in month 6 due to churn. Cohort analysis can be used to evaluate the impact of changes to an online service including changes to fees or features. If, for example, pricing was increased in March and April, this would account for reduced retention, with the situation reversed in May and June through reducing prices. Cohort analysis similar to this is now available in Google Analytics (Chapter 10).

Cohort analysis
A technique used to assess how the loyalty or engagement of a group of customers changes through time.

Another key metric, in fact the *key* retention metric for e-commerce sites, refers to repeat business. The importance of retention rate metrics was highlighted by Agrawal *et al.* (2001). The main retention metrics they mention that influence profitability are:

- **Repeat-customer base:** the proportion of the customer base that has made repeat purchases.
- **Number of transactions per repeat customer:** this indicates the stage of development of the customer in the relationship (another similar measure is number of product categories purchased).
- **Revenue per transaction of repeat customer:** this is a proxy for lifetime value since it gives average order value

Figure 6.12 Activity segmentation of a site requiring registration

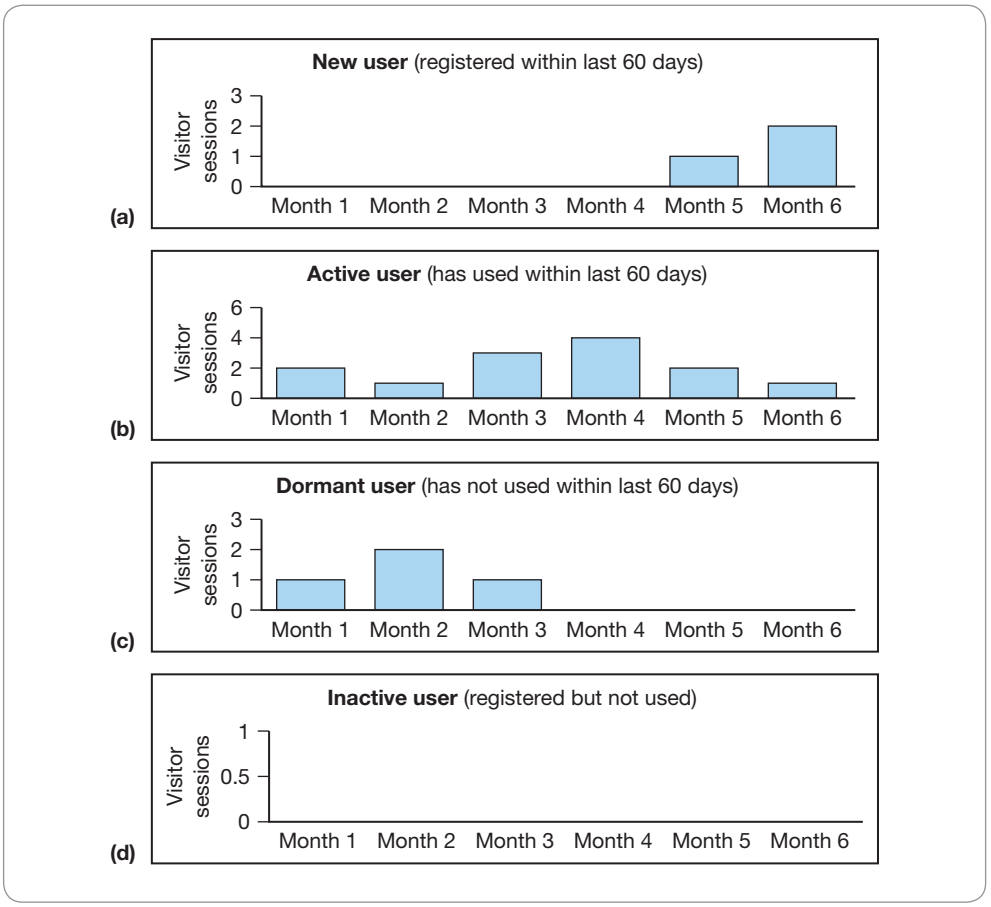


Table 6.3 A sample cohort analysis showing retention after paid subscription to an online service

Cohort formed	Retention end month 1	Retention end month 2	Retention end month 3	Retention end month 4	Retention end month 5	Retention end month 6
January	73%	64%	56%	48%	41%	35%
February	75%	63%	57%	47%	39%	-
March	61%	56%	50%	44%	-	-
April	62%	54%	49%	-	-	-
May	76%	65%	-	-	-	-
June	79%	-	-	-	-	-

Lifetime value modelling

Lifetime value (LTV) Lifetime value is the total net benefit that a customer or group of customers will provide a company over their total relationship with that company.

An appreciation of **lifetime value (LTV)** is key to the theory and practice of customer relationship management.

Digital technology has enabled marketers to become more sophisticated in how they can identify and target valuable customers. Kumar *et al.* (2007) explain it this way:

> By applying statistical models, they can predict not only when each customer is likely to make a future purchase but also what he or she will buy and through which channel. Managers can use these data to estimate a potential lifetime value for every customer and

to determine whether, when and how to contact each one to maximise the chances of realising (and even increasing) his or her value.

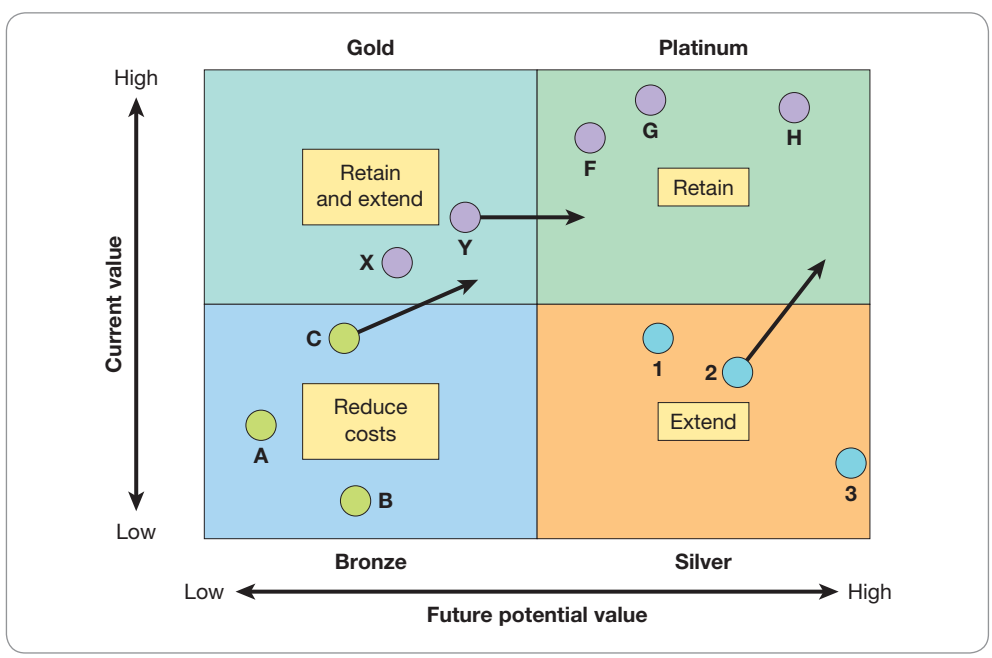
However, while the term is often used, calculation of LTV is not straightforward, so many organisations do not calculate it. Lifetime value is defined as the total net benefit that a customer, or group of customers, will provide a company over their total relationship with the company. Calculating lifetime value can indicate to businesses how much they can spend on media to acquire new customers, since allowable customer acquisition cost shouldn't exceed average lifetime value. This enables potentially more to be spent on customer acquisition than by judging it solely on the profit from a single sale on an e-commerce site.

Calculation of lifetime value is based on estimating the income and costs associated with each customer over a period of time, and then calculating the net present value in current monetary terms using a discount rate value applied over the period. Table 6.4 in Activity 6.1 gives an example of how an LTV calculation is typically evaluated using a spreadsheet format. In this case, revenue of an annual cohort of 100,000 donors in year 1 (Row A) donates £10 million in total (Row D) based on an estimate of donations per year (Row C). The model assumes that, initially, 50% of these donors will be lost in year 1, with retention increasing each year to 70% (Row B). The model uses an estimate of profit (Row E) and how that declines through time because of inflation by applying a discount rate (F) to calculate LTV (Row I). You are referred to Kumar *et al*. (2007) for a more detailed explanation of LTV calculations.

LTV can also be used more strategically to identify and compare critical target segments and measure the effectiveness of alternative customer retention strategies including investing in marketing technology, as shown by Activity 6.1.

Figure 6.13 gives an example of how LTV can be used to develop a CRM strategy for different customer groups. Four main types of customers are indicated by their current and future value as bronze, silver, gold and platinum. Distinct customer groupings (circles) are identified according to their current value (as indicated by current value) and future value (as indicated by lifetime value calculations). Each of these groups will have a customer profile signature based on their demographics, so this can be used for customer selection. Different strategies are developed for different customer groups within the four main value groupings.

Figure 6.13 An example of an LTV-based segmentation plan



Activity 6.1 Charity uses lifetime value modelling to assess returns from new CRM system

A charity is considering implementing a new email marketing system to increase donations from its donors. The charity's main role is as a relief agency that aims to reduce poverty through providing aid, particularly to the regions that need it most. Currently, its only email activity is a monthly e-newsletter received by its 200,000 subscribers, which features its current campaigns and appeals. It hopes to increase donations by using a more targeted approach based on previous customer behaviour. The email system will integrate with the donor database, which contains information on customer profiles and previous donations.

The company is considering three solutions that will cost between £50,000 and £100,000 in the first year. In the charity, all such investments are assessed using lifetime value modelling.

Table 6.4 is a lifetime value model showing customer value derived from using the current system and marketing activities.

A **Donors** – this is the number of initial donors. It declines each year dependent on the retention rate (row B).
B **Retention rate** – in lifetime value modelling this is usually found to increase year-on-year, since customers who stay loyal are more likely to remain loyal.
C **Donations per annum** – likewise, the charity finds that the average contributions per year increase through time within this group of customers.
D **Total donations** – calculated through multiplying rows A and C.
E **Net profit** (at 20 per cent margin) – LTV modelling is based on profit contributed by this group of customers; row D is multiplied by 0.2.
F **Discount rate** – since the value of money held at a point in time will decrease due to inflation, a discount rate factor is applied to calculate the value of future returns in terms of current-day value.

Table 6.4 Lifetime value model for customer base for current system

	Measure	Year 1	Year 2	Year 3	Year 4	Year 5
A	Donors	100,000	50,000	27,500	16,500	10,725
B	Retention	50%	55%	60%	65%	70%
C	Donations per annum	£100	£120	£140	£160	£180
D	Total donations	£10,000,000	£6,000,000	£3,850,000	£2,640,000	£1,930,500
E	Net profit (at 20% margin)	£2,000,000	£1,200,000	£770,000	£528,000	£386,100
F	Discount rate	1	0.86	0.7396	0.636	0.547
G	NPV contribution	£2,000,000.0	£1,032,000.0	£569,492.0	£335,808.0	£211,196.7
H	Cumulative NPV contribution	£2,000,000.0	£3,032,000.0	£3,601,492.0	£3,937,300.0	£4,148,496.7
I	Lifetime value at net present value	£20.0	£30.3	£36.0	£39.4	£41.5

G **NPV contribution** – this is the profitability after taking the discount factor into account to give the net present value in future years. This is calculated by multiplying row E by row F.

H **Cumulative NPV contribution** – this adds the previous year's NPV for each year.

I **Lifetime value at net present value** – this is a value per customer calculated by dividing row H by the initial number of donors in Year 1.

Based on preliminary tests with improved targeting, it is estimated that with the new system, retention rates will increase from 50 to 51 per cent in the first year, increasing by 5 per cent per year as currently. It is estimated that in year 1 donations per annum will increase from £100 per annum to £120 per annum, increasing by £20 per year as currently.

Question

Using the example of the lifetime value for the current donor base with the current system, calculate the LTV with the new system.

Some bronze customers, such as groups A and B, realistically do not have development potential and are typically unprofitable, so the aim is to reduce costs in communications and if they do not remain as customers this is acceptable. Some bronze customers, such as group C, may have potential for growth so for these the strategy is to extend their purchases. Silver customers are targeted with customer extension offers and gold customers are extended where possible, although they have relatively little growth potential. Platinum customers are the best customers, so it is important to understand the communication preferences of these customers and not to over-communicate unless there is evidence that they may defect.

In-depth analysis of customer data has traditionally been completed by catalogue retailers such as Argos, Littlewoods Index™ or retailers such as Boots using techniques like customer order gap analysis or **recency–frequency–monetary value (RFM) analysis**.

Recency–frequency–monetary value (RFM) analysis
RFM is sometimes known as FRAC, which stands for: frequency, recency, amount (obviously equivalent to monetary value), category (types of products purchased – not included within RFM).

Customer order purchase gap analysis is aimed at increasing purchases by customers. According to Euroffice (2017), it involves identifying purchasing patterns and comparing category mix, multi-buys, revenue and average order-size patterns across customer databases and segments of customers, all with the aim of identifying new opportunities. Using order gap analysis, retailers can build contact and merchandising strategies, pinpointing the right time to communicate with their customers – delivering relevant messages, offers, prices and promises at the opportune time. Gap analysis can also be used to determine when a customer is at risk of lapsing – for example, if a customer is potentially shopping with multiple retailers or if a customer is changing his/her buying behaviour.

RFM analysis is a technique that tends to be little known outside retail circles, but CRM gives great potential to apply it in a range of techniques since we can use it not only to analyse purchase history and targeting outbound communications, but also visit or log-in frequency to a site or online service and response rates to email communications.

We will now give an overview of how RFM approaches can be applied, with special reference to online marketing. We will also look at the related concepts of latency and hurdle rates.

Recency

This is the recency of customer action, e.g. purchase, site visit, account access, email response. Novo (2003) stresses the importance of recency when he says:

> Recency, or the number of days that have gone by since a customer completed an action (purchase, log-in, download, etc.), is the most powerful predictor of the customer repeating an action . . . Recency is why you receive another catalogue from the company shortly after you make your first purchase from them.

Online applications of analysis of recency include monitoring through time to identify vulnerable customers who have become inactive, and scoring customers to preferentially target more responsive customers for cost savings.

Frequency

Frequency is the number of times an action is completed in a period of a customer action – e.g. purchase, visit, email response (for example, five purchases per year, five visits per month, five log-ins per week, five email opens per month, five email clicks per year). Online applications of this analysis include combining with recency for 'RF targeting'.

Monetary value

The monetary value of purchase(s) can be measured in different ways – for example, average order value of £50, total annual purchase value of £5,000. Generally, customers with higher monetary values tend to have a higher loyalty and potential future value since they have purchased more items historically. One example application is to exclude these customers from special promotions if their RF scores suggest they are actively purchasing. Frequency is often a proxy for monetary value per year since the more products purchased, the higher the overall monetary value. Ultimately it is possible to simplify analysis by just using recency and frequency.

Latency

Latency
The average length of time that different customer types take between different activities, e.g. log-ins, paying bills, first and second purchases.

Latency is a powerful concept, closely related to frequency – it is the average time between customer events in the customer lifecycle. Examples include the average time between website visits, second and third purchases and email click-throughs. Online applications of latency include putting in place triggers that alert companies to customer behaviour outside the norm, such as increased interest or disinterest, and then to manage this behaviour using e-communications or traditional communications. For example, if a B2B or B2C organisation with a long interval between purchases found that latency decreased for a particular customer, then they may be investigating an additional purchase via email or website (their recency and frequency would probably increase also). Emails, phone calls or direct mail could then be used to target this person with relevant offers according to what they were searching for.

In this research, to measure customer engagement, Monetate (2017) reviewed its retailer customer data in the United Kingdom and United States to assess how frequently customers began a new session within a set time period – specifically the number of sessions and the number of days it took for a customer to complete a purchase. For first-time customers, the baseline latency from first visit to purchase is an average of 25 days and 3.5 sessions to complete a purchase. For returning customers who make their second purchase, 32 days are needed, on average, to convert – an additional week compared to the average first-time purchasers. Customers returning to make their third purchase need, on average, 27 days to complete their transaction. Practical implications of reviewing latency in retail and other sectors are that businesses can compare latency to length of time to when emails are automatically triggered to encourage a follow-up action such as purchase. You can potentially change the number of emails and frequency by asking how many emails are appropriate in the period, or to nudge? They can also change on-site personalisation time frames for recommending 'next-best product' or 'next-best content' to encourage repeat purchase.

Hurdle rate
The proportion of customers that fall within a particular level of activity. For example, the percentage of members of an email list that click on the email within a 90-day period, or the number of customers that have made a second purchase.

Hurdle rate

According to Novo (2003), **hurdle rate** refers to the percentage of customers in a group (such as in a segment or on a list) who have completed an action. It is a useful concept since it can be used to compare the engagement of different groups or to set targets to increase engagement with online channels, as the examples below show:

- 20 per cent of customers have visited in the past six months;
- 5 per cent of customers have made three or more purchases this year;
- 60 per cent of registrants have logged on to the system this year;
- 30 per cent have clicked through on email this year.

When reviewing email marketing effectiveness based on consumer engagement it's useful to consider longer-term engagement measured using hurdle rates rather than open and click-through rates on individual broadcasts of emails or newsletters. More email marketers are now using the measures of open reach and click reach to achieve this. Alchemy Worx (2020) explains how these can be calculated:

> Open reach is calculated by counting the number of subscribers on your list that have opened at least once and dividing that by the number of subscribers that have received at least one email from you over a given time period. This could be a quarter or a year, depending on your send frequency and specific goals.

Click reach is calculated in a similar way based on the number of unique clicks within a longer time period.

Grouping customers into different RFM categories

In the examples above, each division for recency, frequency and monetary value is placed in an arbitrary position to place a roughly equal number of customers in each group. This approach is also useful since the marketer can set thresholds of value relevant to their understanding of their customers.

RFM analysis involves two techniques for grouping customers:

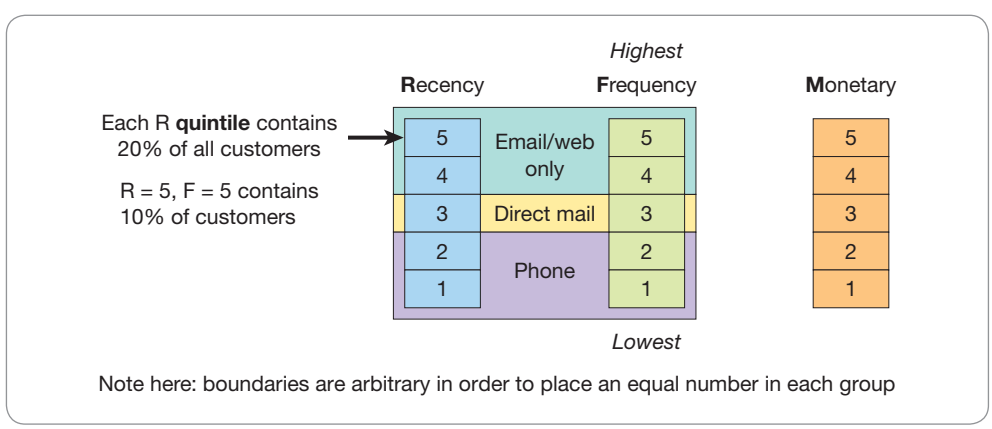
1 Statistical RFM analysis

This involves placing an equal number of customers in each RFM category using quintiles of 20 per cent (10 deciles can also be used for larger databases), as shown in Figure 6.14. The figure also shows one application of RFM with a view to using communications channels more effectively. Lower-cost digital communications can be used to correspond with customers who use online services more frequently since they prefer these channels, while more expensive offline communications can be used for customers who seem to prefer traditional channels.

2 Arbitrary divisions of customer database

This approach is also useful since the marketer can set thresholds of value relevant to their understanding of their customers.

Figure 6.14 RFM analysis



For example, RFM analysis can be applied for targeting using email according to how a customer interacts with an e-commerce site. Values could be assigned to each customer as follows:

Recency:
1 – Over 12 months
2 – Within last 12 months
3 – Within last 6 months
4 – Within last 3 months
5 – Within last 1 month

Frequency:
1 – More than once every 6 months
2 – Every 6 months
3 – Every 3 months
4 – Every 2 months
5 – Monthly

Monetary value:
1 – Less than £10
2 – £10–£50
3 – £50–£100
4 – £100–£200
5 – More than £200

Simplified versions of this analysis can be created to make it more manageable – for example, a theatre group uses these nine categories for its direct marketing:

Oncers (attended theatre once):
- attended 6–12 months
- attended >12 but < 36 months
- Very rusty oncer – attended in 36+ months

Twicers:
- attended 6–12 months
- attended >12 but < 36 months
- Very rusty twicer – attended in 36+ months

2+ subscribers:
- Current subscribers – booked 2+ events in current season
- booked 2+ last season
- booked 2+ more than a season ago

Plotting customer numbers against recency and frequency in this way for an online company gives a great visual indication of the health of the business and groups that can be targeted to encourage more repeat purchases.

Product recommendations and propensity modelling

Propensity modelling
The approach of evaluating customer characteristics and behaviour and then making recommendations for future products.

Propensity modelling is one name given to the approach of evaluating customer characteristics and behaviour, in particular previous products or services purchased, and then making recommendations for the next suitable product. However, it is best known as recommending the 'next-best product' to existing customers. It is now more common to use machine learning or artificial intelligence to assess propensity than to use the more rigid assignments of RFM. However, we retain the RFM concept and examples since it is a useful technique for assessing customer behaviour and value.

A related acquisition approach is to target potential customers with similar characteristics through renting direct mail or email lists or advertising online in similar locations.

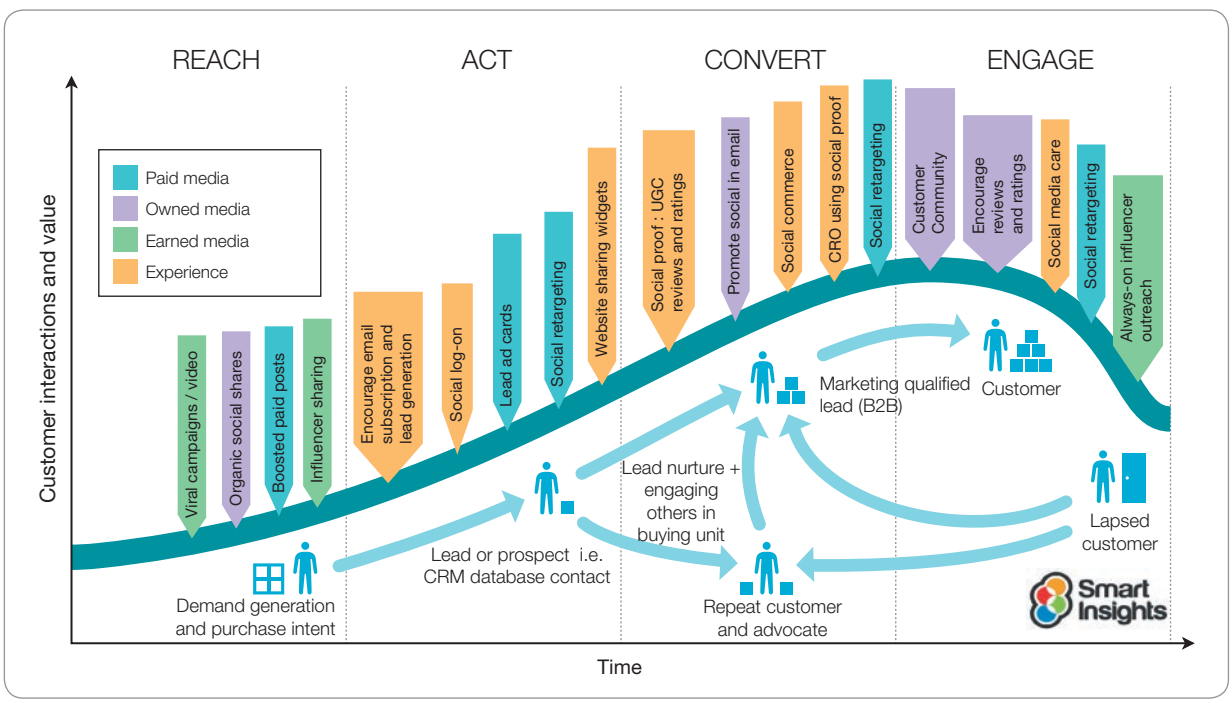
The following recommendations are based on those in van Duyne *et al.* (2003):

1. **Create automatic product relationships (i.e. next-best product).** A low-tech approach to this is, for each product, to group together products previously purchased together. Then for each product, rank product by number of times purchased together to find relationships.
2. **Cordon off and minimise the 'real estate' devoted to related products.** An area of screen should be reserved for 'next-best product prompts' for up-selling and cross-selling. However, if these can be made part of the current product, they may be more effective.
3. **Use familiar 'trigger words'.** That is, familiar from using other sites such as Amazon. Such phrases include: 'Related products', 'Your recommendations', 'Similar', 'Customers who bought . . . ', 'Top 3 related products'.
4. **Editorialise about related products.** That is, within copy about a product.
5. **Allow quick purchase of related products.** For example, through prompts to purchase specific products labelled 'Recommended products' or 'Bought by other customers'.
6. **Sell related products during checkout.** And also on post-transaction pages, i.e. after one item has been added to the basket or purchased.

Using social media to improve customer loyalty and advocacy

We have seen throughout this chapter that targeted email marketing remains a powerful tool to communicate with audiences through the customer lifecycle. Similarly, social media marketing can be used to achieve marketing goals across different parts of the lifecycle, as shown in Figure 6.15.

Figure 6.15 Opportunities for using social media marketing to support customer lifecycle marketing goals



Source: Smart Insights (Marketing Intelligence) Ltd

Figure 6.15 shows how different types of social media activity can be planned to achieve different goals for B2B audience development, as shown by the goals below the curve. Similar social media activities to achieve goals apply for B2C markets:

- **Reach – increase awareness and grow an audience using paid, owned and earned media:** Organic amplification of social updates by loyal customers, advocates and followers, plus organic viral marketing activities and targeted paid social buys such as boosted posts (see Chapter 9).
- **Act – prompt interactions, subscribers and leads:** Organic and paid social media encourages website visits that apply permission marketing to generate new database contacts. Some social networks such as LinkedIn and Twitter enable permission marketing within the social feed though lead ad cards.
- **Convert – achieve sales online or offline:** Nurture prospects and leads towards sale – **ad retargeting** using paid social media is particularly effective for this since it can be used to target an individual in a similar way to email nurture that is not possible with organic social media.
- **Engage – encourage repeat business by developing customer satisfaction, loyalty and advocacy:** Ad retargeting and uploading customer lists to social media platforms can also be used to target customers who have previously purchased. Encouraging customers to write and share reviews of their experience is particularly important to encourage conversion of other customers using **social proof**.

Ad retargeting
Ads are served to people who have previously interacted with a brand, for example through visiting a website, social media profile or searching. In Google, retargeting is known as remarketing.

Social proof
Consumer psychology research shows that potential customers trust recommendations from others, so communicating social proof in different formats can increase conversion. Forms of social proof include customer reviews, ratings, testimonials and case studies, and independent validation by an influencer or recognised trustworthy sources. Numbers showing the size of the company and brand idents can also communicate social proof.

In this section we will consider how the insights about customers available through social media can be applied as part of data-driven marketing, with a focus on customer communications that develop loyalty and advocacy.

Court *et al.* (2009), in the classic *McKinsey Quarterly* white paper 'The consumer decision journey', discuss the 'Loyalty Loop', which shows opportunities for brands to reinforce the loyalty of their own customers or encourage switching after purchase during what it calls the 'Enjoy, Advocate, Bond' stage. They found that more than 60 per cent of consumers of facial skincare products conduct online research about the products *after* purchase – a touchpoint not normally considered in the classic marketing funnel.

When consumers are happy with a purchase, they'll recommend it by word of mouth including social media, but if a consumer is disappointed by the brand, they may criticise it through social media. Part of social CRM activities is to encourage online advocacy and limit negative word of mouth. Presi *et al.* (2014) explored how customers who share their negative service experience by creating user-generated content (UGC) in social media can be segmented according to their motivation. They found that altruistic, vengeful and economic motivations are strong drivers for UGC creation after a negative service experience.

Social media marketing has many applications throughout the customer lifecycle, but arguably it is most effective when it is used to develop existing relationships and encourage advocacy to create brand awareness and favourability. This advocacy is not limited to customers, it can also involve influencers, partners and employees.

This section covers strategy and practice for **organic social media marketing** for customer loyalty, PR and advocacy; social media will be explored in Chapter 9, with the focus on paid social media communications. This is the main section on social media in the text since often it is most effective for customer communications and advocacy.

Organic social media marketing
It's common practice to distinguish between organic and paid social media marketing activities in a similar way to organic and paid search marketing. Organic social involves using social networks and customer communities to develop relationships, share positive opinions through social media amplification and manage negative social media comments.

Brian Solis (Solis, 2011), analyst at Altimeter, captured the potential of social media for brands when he said:

> Brands are either part of the conversation or they're not and, as a result, they're either part of the decision-making cycle, or they're absent from the heart, mind, and actions of the connected customer.

What is social media marketing and why is it important?

Social media marketing
Organic sharing and paid advertising using social networks and their messaging services to gain awareness and response from target audiences. Also involves facilitating and monitoring customer-to-customer and customer-to-company interactions and participation on social networks and other online communities where user-generated content is created.

Most consumers and businesses will understand **social media marketing** simply as using organic and paid posts in the feeds of the main social networks such as Facebook, Instagram, LinkedIn, Pinterest, Snapchat, Twitter and other social networks that have the most active users in each country. While these are important, and we discuss best practices further in Chapter 9, there are other aspects of harnessing social media for managing customer media relationships.

We think the CIPR Social Media Panel (CIPR, 2011) describes well the application of social media to customer relationship and brand building:

> Social media is the term commonly given to Internet and mobile-based channels and tools that allow users to interact with each other and share opinions and content. As the name implies, social media involves the building of communities or networks and encouraging participation and engagement.

This definition shows that the most important feature of these social media channels is that they encourage prospects and customers to interact and create UGC.

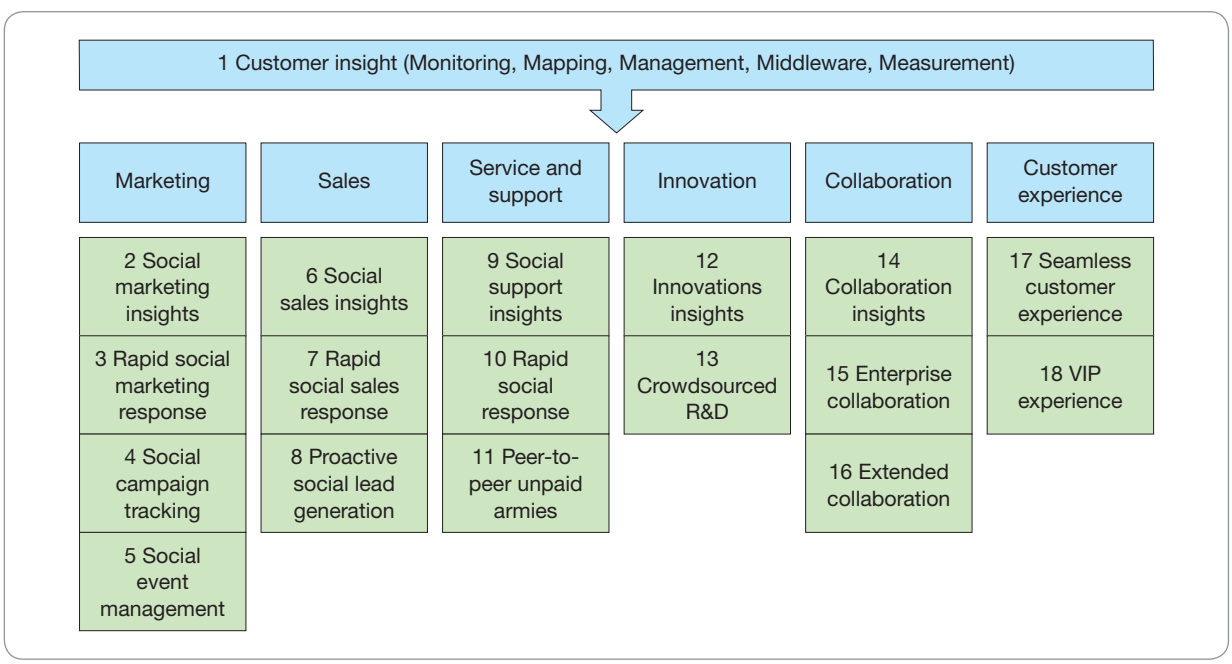
What is social CRM?

Social CRM
The process of managing customer-to-customer conversations to engage existing customers, prospects and other stakeholders with a brand and so enhance customer relationship management.

Given the potential of social media for customer communications, it's natural that a new marketing term, **social CRM**, has been developed to describe social media integration with CRM. In B2B marketing, it's still common to talk about social selling, which is achieved by business development team members equipped with LinkedIn Navigator identifying prospects and leads and customers and interacting with them to establish need and add value.

To create a holistic approach to social media marketing for customer relationship development it's useful to review different applications of social media marketing across the functions of a business, as shown by Figure 6.16.

Figure 6.16 Applications of social media across different business functions



Source: Altimeter (2010)

This framework shows the value of social media in collecting customer insights across different business functions. The scope of each area shown in Figure 6.16 is:

1. **Marketing.** Increasing awareness through social networks as described in Chapter 9. Monitoring, analysis and response of customer conversations through social listening tools.
2. **Sales.** Social selling plus understanding where prospects are discussing selection of products and services offered by you and competitors, and determining the best way to get involved in the conversation to influence sales and generate leads.
3. **Service and support.** Customer self-help through forums provided by you and neutral sites.
4. **Innovation.** Using conversations to gain ideas for new product development or enhance online offerings.
5. **Collaboration.** Sharing insight from social media monitoring throughout an organisation using internal collaboration tools such as Slack.
6. **Customer experience.** This references the use of social CRM to enhance the customer experience and add value to a brand. Altimeter gives the example of using VIP programmes offering collaboration between customers with shared characteristics to add value and create advocacy (Solis, 2011).

Note that the deep integration between social networks and CRM systems promised by social CRM when the social networks were growing rapidly in popularity has not been delivered in practice due to a combination of privacy concerns and social networks wanting to retain control, requiring advertising expenditure for marketers to communicate to their subscribers. As Kowalke (2017) explains:

> Dominant social platforms largely boxed out social CRM by changing APIs and limiting access. Facebook shut its door and broke many CRM integrations, and LinkedIn got choosy. The promise of social CRM as a way to automatically collect contact data and communicate on social platforms from within the CRM died a quick death.

However, many businesses, particularly publishers and SaaS, do offer 'social log-on' to enable customers to readily sign in or subscribe, which can increase conversion rates. They can also gain some insights about customers – for example, Facebook and Instagram users tend to add their date of birth and location to their profile. This is provided by many CIAM platforms with specialists such as Auth0 and LoginRadius.

What are the main social media platforms?

Social networks are among the most popular sites on the internet along with search engines, and may be thought of as the only type of social platform. However, when developing a social media or social CRM strategy based on reviewing customers' opinions and sentiment it's worth considering other types of sites that can affect customer acquisition and loyalty.

The main types of social platforms to assess are:

1. **Social networks.** In most countries, the core social platforms where people interact through social networks are Facebook, Instagram, Snapchat and TikTok for consumer audiences, LinkedIn for business audiences and Twitter for both.
2. **Social publishing and news.** Nearly all newspapers and magazines, whether broad or niche, now have an online presence with the option to participate through comments on articles, blogs or communities.
3. **Social streaming.** There are numerous rich and streaming media sites including photos (e.g. Pinterest), video (e.g. YouTube) and podcasting.
4. **Social reviews.** Sites such as Trustpilot and Feefo aggregate customer feedback and ratings, so it's important to understand negative comments as part of customer loyalty management. In some sectors, such as SaaS and martech, services ratings on sites such as G2, Capterra and GetApp can be important when prospects are benchmarking services.

5 **Social commenting in blogs.** A company blog can form the hub of your social media strategy and you can look at tapping into others' blogs, whether company or personal or through blog outreach. Some influencers will also make recommendations on their blogs, which are shared by social media.
6 **Social customer service.** Company Twitter and Facebook pages, and their own customer support forums, are increasingly important for responding to customer complaints or pre-sales enquiries.
7 **Social customer communities.** These are communities and forums independent of the main networks. Some companies create their own communities for sharing customer feedback. Such open Q&A forums are particularly important in some sectors such as mobile phone and network providers. Larger brands use platforms like Qualtrics and Vision Critical to establish closed customer communities.
8 **Social knowledge.** These are reference social networks such as **Answers.com**, Quora™ and Wikipedia. They show how any business can engage its audience by solving its problems and subtly showing how products have helped others.
9 **Social search.** When Google+ was launched, and before it was shut down, search engines incorporated social features such as voting for sites via a Google+1. However, the voice of the crowd is still important to determine which sites rank more highly in search results pages (i.e. sites and articles that have a higher click-through rate tend to be ranked more highly).
10 **Social commerce.** Mainly relevant for the retail and travel sectors, social commerce originally included sites comparing reviews and deals including sharing of coupons. Social commerce also involves organic sharing or purchases on social networks. Today, social commerce mainly refers to when social networks such as Facebook and Instagram facilitate online purchases direct from company pages and feeds.

We haven't identified mobile platforms or apps separately since all social networks are available through smartphone apps – indeed, social media statistics show that these apps account for the majority of consumer usage.

Social media activities requiring management

A social media strategy will define how social media can support marketing goals. We recommend these six activities are reviewed to define strategies for how social media can support each goal:

1 listen and manage reputation;
2 transform the brand through social media;
3 acquire new customers;
4 increase sales to existing customers;
5 deliver customer service.

All activities should run on a continuous and campaign basis. To support them, they require both a content and a communications strategy to be defined and sufficient resources to implement.

Activity 1. Define listening and reputation strategy

To develop a social media listening approach, you need to understand social media usage for each of:

- **your audience:** who they are, how they participate, what they're saying and sharing;
- **your activity:** through official social media channels and interactions through your site, but also through employee mentions;
- **your competitors:** for direct and indirect competitors, you need to review how their activities compare to yours;
- **online publishers and other key intermediaries:** these are a form of indirect competitor and are also important as influencers.

Social media listening and social media monitoring (SMM)
Social media intelligence processes for reviewing brand mentions, market keywords and sentiment for a business and its competitors in social media and online publishers.

Social media sharing services such as the market leaders Buffer™ described in Case study 6 and **Hootsuite.com™** are useful in all companies for making it easier to share posts on their company feeds in social media and tracking how they are spread. However, another type of service for **social media listening and social media monitoring (SMM)** is useful, particularly in larger businesses, for social media. Examples of these tools include Talkwalker, Meltwater and Sprout Social™, which can monitor 'conversation polarity', which is an indication of positive or negative sentiment. These tools can also be used to assess how influencers impact brands, as described in Mini case study 6.6.

But listening is just listening, so at the same time you need to develop a social media governance approach for how to follow up on positive or negative mentions.

Activity 2. Transform the brand through social media

To fully exploit social media across all functions will require companies to make major changes to their brand, company structure and how everyone in the company communicates.

Some key areas for delivering this transformation are:

- **Set scope for social media activities.** Understand the intersection of social media and your business activities. It's not just about your Facebook, Instagram, Twitter or LinkedIn presence, it cuts across all customer marketing activities.
- **Review social media capabilities and priorities.** Social media marketing isn't new for most companies, they will already be using social media. But they won't be using it to the max. Benchmarking where you are now against where you want to be in the future is the key to future success.
- **Governance: define who is responsible for social media.** We've seen that exploiting social media requires the involvement of many people in larger companies. So you need to decide who does what and how different groups work together.
- **Reviewing the personality of your brand and setting a vision.** Social media and content marketing give many opportunities to make your brand more engaging, which have to be thought through. The whole personality of your brand may have to be revisited too.

Activity 3. Acquire new customers using social media

For most marketers, the ultimate appeal of social media marketing is to use it to increase sales through reaching new prospects and converting them to customers, as discussed further in Chapter 9.

Mini case study 6.6 A beauty and skincare brand uses social media listening to understand influence effectiveness

L'Occitane en Provence chose to collaborate with micro-influencers on Instagram because it also allows the brand to target a younger clientele compared to its in-store demographics. A strategy with a long-term vision as well as the activation of a network of several micro-influencers also allows L'Occitane en Provence to increase the frequency of product views thanks to mentions across different publications.

Working with influencer agency Hivency and Talkwalker, a launch campaign for a new skincare product, the Reset Eye Serum, used 14 selected micro-influencers, operating mainly on Instagram, with a campaign duration of 30 days.

During this period, these influencers gained 6,270 likes and 671 comments with a 2 per cent engagement rate. The engagement rate is used to measure the engagement of consumers with a brand on social networks, blogs and videos. Micro- and nano-influencers generally have a higher engagement rate than macro-influencers or celebrities.

Source: Talkwalker (2020)

Activity 4. Increase sales to existing customers

Applying social media to increase sales to existing customers focuses on developing your customer communications strategy to encourage more social interactions on your site, leading to more social shares to gain the amplification effect.

Activity 5. Enhance customer service through social media marketing

Improving customer service or 'social customer care' through social media is not a major focus of this chapter since we focus more on communications that directly increase sales through reaching or converting more of an audience.

However, to find out more about how customer service can be delivered through social media, we recommend reading the advice of consultant Guy Stephens of Foviance (Chaffey, 2010). He talks about how specific customer service activities should be managed, including:

- social listening to identify customers requiring service;
- outreach to answer customer questions or resolve problems;
- using service to improve product and service offerings;
- management of a company's own service forums or other service platforms such as Get Satisfaction.

To conclude this chapter, the case study reviews how data-driven digital marketing has been used to support the growth of a startup business that offers a service for social media scheduling and tracking.

Case study 6 Buffer: from idea to paying business customers in seven weeks

This case study features a B2B service used for managing and tracking social media updates. It illustrates success factors for an agile startup business developing into a profitable mature business that adopted a data-driven mindset to drive growth. The founder believes in 'radical transparency' to openly share tests and insights, and this makes it a useful case study to learn from since interesting details are often not revealed in other cases.

Joel Gascoigne formed Buffer in Birmingham in the United Kingdom. The initiation of the company was data driven. From his 'lightbulb' moment of a service to improve social sharing and scheduling, his minimum viable product (MVP) was a landing page to assess interest in the service. Initial registrations and feedback via Twitter were sufficient for him to commit to launch the project and he personally designed and built the first version of the Buffer application for using with Twitter over seven weeks, as described by Buffer (Gascoigne, 2011). Today it supports Instagram, Facebook, Pinterest and LinkedIn also.

Buffer's value proposition

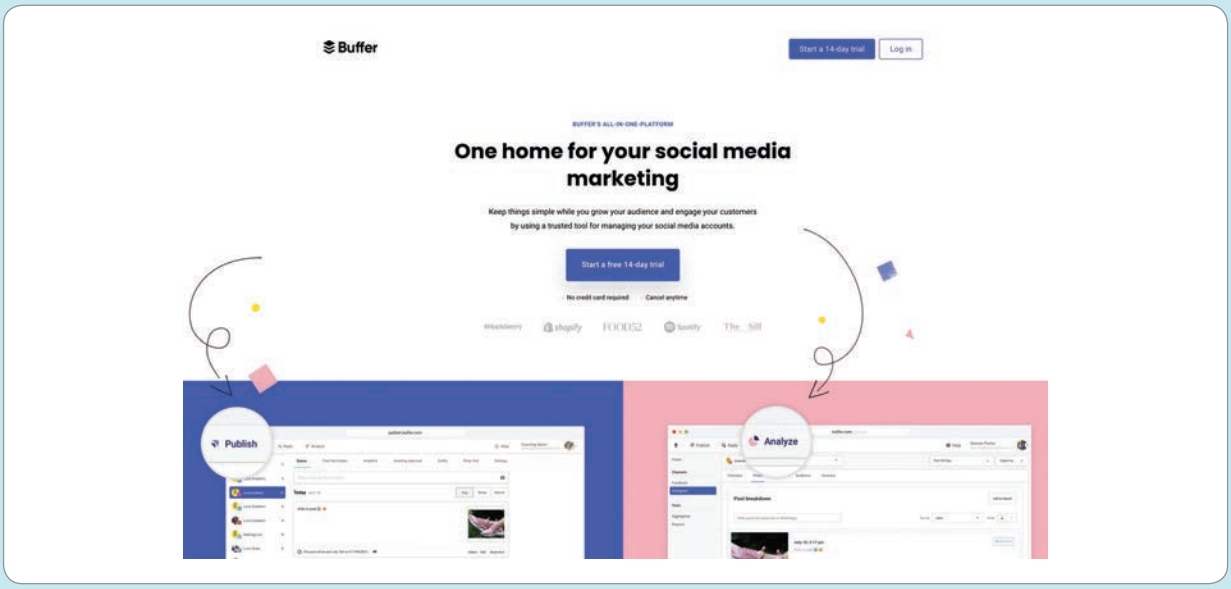
Gascoigne describes his vision for the product like this:

> *I wanted to take the scheduling feature of many Twitter clients and apps and make that single feature awesome. I believed that single feature was worthy of its own application. The aim was to create something genuinely useful with a delightful experience. The fundamental idea was to create a way to queue up tweets without scheduling each tweet individually.*

After the initial landing page test was validated, a further test was run to assess how much people would be prepared to pay. A freemium revenue model was devised where there was a free service that businesses could subscribe to, with more advanced scheduling available for subscribers to paid plans. Gascoigne found that sufficient people were clicking on the details of the $5 and $10 per month plans to suggest some people were prepared to pay. Today, payment plans vary from $15 to $99 per month.

After reaching a critical mass of registrations, Gascoigne built and designed the first version of the application software during evenings and over weekends over a span of seven weeks. This again used the MVP concept to minimise features, but show a clear benefit

Figure 6.17 Buffer's value proposition



Source: **Buffer.com**

for the paid plan. Initially, Gascoigne was bootstrapping the company by working on web development contracts at the same time.

In 2016, Buffer would extend the proposition to social media customer service by launching a 'Reply' feature based on an acquisition of another company. Ultimately that was not successful and in 2020 Buffer retired that feature.

Today, Buffer's value proposition communication (Figure 6.17) centres on the marketer's 'use-case' of managing social media as part of marketing campaigns. It offers to 'Plan and analyse your campaigns' by scheduling, tagging content by initiative and reviewing work in detailed reports. It also offers 'auto-scheduling' and recommendations on when, what and how often to post to maximise audience engagement.

The company has also somewhat reduced the functionality of the free plan and in 2018 it highlighted some of the limitations of the freemium model, which incurs costs for supporting free users and providing the service to them. At this time, according to Buffer (2020) it had:

- 30,000 people signing up for a free Buffer account every week;
- 1,000 requests for help every week from Free users;
- 80,000 paying customers and over 300,000 active Free users.

Launch and marketing to achieve growth

On launch, Buffer found that, with the initial pricing, there was a 4 per cent conversion rate from the free plan to the paid plan. The first paying customer was achieved after four days of launch and within a few weeks users reached 100, and then increased to 100,000 users within the next nine months!

As new customers subscribed, Gascoigne resisted the temptation to simply build more features; rather he assessed the business model, including marketing and customer development. Gascoigne notes:

> *After the first paying customer, I took a step back, acknowledged that as a major milestone and decided a slight shift in focus was required. As a developer, it is easy to pile in more features at that point. I knew it was time to focus on marketing and further customer development. It was time to keep the balance of development, marketing and customer development with a product which had proved it was 'good enough'.*

By early 2011 the company reached what Gascoigne (2020) describes as *ramen profitability*, i.e. where you're making just enough to pay your living expenses. For him, that first goal was £1,200 per month.

In July 2011, the co-founders decided to move the startup venture from the United Kingdom to San

Francisco in the United States, and Buffer was converted into an incorporated business and received investment funding to grow further.

By October 2012, it was reported on Buffer's blog that '1.5–2% of users are on the paid plan, predicting $800,000 in annual revenue'.

Soon after, Buffer intentionally made its salary calculation algorithm public, which it still does today now it has reached 90 employees.

Buffer does not employ most of its 90 employees locally. It has had a remote workforce since 2012 when the decision was made to run Buffer as a virtual business, predating the approach that was later enforced on many businesses by the global pandemic. One technique used to develop a feeling of belonging in the remote team was to develop 10 shared values:

1. Choose positivity.
2. Default to transparency.
3. Focus on self-improvement.
4. Be a no-ego doer.
5. Listen first, then listen more.
6. Have a bias toward clarity.
7. Make time to reflect.
8. Live smarter, not harder.
9. Show gratitude.
10. Do the right thing.

Buffer's social media and content marketing strategy

As might be expected from a company offering a service for social media marketing, social media has been important to the growth of Buffer. Its success in social media for a B2B service is suggested by over 1 million Twitter followers, 200,000 followers on Facebook and Instagram, and a further 40,000 page followers on LinkedIn. Ultimately, its success in social media has been based on its content strategy. Since launch it has had an active blog telling the company story, but also providing guidance for marketers about how to improve their social media marketing and marketing more broadly. As well as blog posts covering best practices for digital marketing it has also created a 'Library' section to educate on marketing techniques, including templates to help marketers manage their social media marketing and campaigns.

Listed are some examples of resources published by Buffer that are indicative of the content editorial schedule it has developed to support increases in awareness. These types of content offering value evidenced by a 'clickbait' B2B title can help attract visits at low cost by social media amplification as they are shared online, and they can also potentially attract visits from organic search and backlinks from other sites:

How to Use Facebook to Market Your Business. Article in the guides category covering best practice, repeated for other social networks.

Why We Have Our Best Ideas in the Shower: The Science of Creativity. From the self-improvement category, offering to teach and inspire.

We Analyzed 43 Million Facebook Posts From the Top 20,000 Brands. From the trends category, which shares the latest data and approaches, including sharing learning from its own anonymised customer data.

Nike's Secret to Success on Instagram: Building an Engaged Community. From the case studies category.

Marketing automation to support customer development and retention

Since new prospects and customers sign up to Buffer via their email, automated emails are a key technique to welcome prospects and develop its customers. The email sequence from Buffer for people using the free platform or trial has included:

- A welcome email from a team member recommending initial usage to schedule a post.
- A second email offering to 'Use Buffer to grow your reach, engagement and sales'.
- A third email featuring customer testimonials linking to the Analytics reports.
- A fourth email offering to teach: '3 things top social media marketers do'. . . naturally Buffer facilitates these.
- Other emails include practical actions of downloading the browser extension to make scheduling of curated content easier and downloading the mobile app.
- Monthly reports.
- Feedback on customer successes, highlighting social shares that performed well, and encouraging people to learn more.

Conclusion

At the end of 2020, Joel Gascoigne wrote a retrospective blog article: 'Reflecting on 10 years of building Buffer' (Buffer, 2020). This illustrates the opportunities and challenges faced by an online startup business and the need to adopt an agile mindset to respond to changes in the marketplace, most recently caused by the pandemic. Gascoigne also talks about some of the rewards and pressures of running an online business:

In the early days, it's easy to treat a startup as a sprint, but it's really a marathon. It's vital to pace yourself and take care of yourself. Regular rest is a necessity, and I'm going to continue to work towards incorporating rest and true vacations into my annual cycle. Additionally, as with life, there are seasons to a company. There have been stages of growth, market changes, and role evolutions. There are always periods with different focuses, and it is a continual journey towards ideal equilibrium.

I've learned that it's hard to grow without compromising, and after doing so, you might have to work to find your purpose again. This is an example of the hard work it takes to create something enduring. If you are to be successful long-term, you have to take time to reflect and rediscover your passion, and sometimes make some bold changes to get back on track.

Questions

1. Explain the data-driven customer acquisition and retention techniques that Buffer used to grow the company.
2. How has Buffer used social media and content marketing to grow the business?

Source: Gascoigne (2011, 2018, 2020)

Summary

1. Marketing automation and CRM enable 'sense-and-respond' communications, where personalised emails or web-based messages can be delivered based on disclosed or inferred customers' preferences stored as customer profiles.
2. CRM also involves management of online services to deliver customer service that is aimed at improving brand loyalty.
3. The classic model for permission marketing supported by marketing automation is:
   - Attract customers to website, partner microsite or social presence such as Facebook.
   - Incentivise in order to gain contact and profile information.
   - Capture customer information to maintain the relationship and profile the customer.
   - Maintain dialogue through using online communications to achieve repeat site visits.
   - Maintain dialogue consistent with customer's profile using email, social media messaging or, where cost-effective, direct mail or outbound phone contact.
4. Personalisation technologies enable customised emails (or direct mails) to be sent to each individual (or related groups) and customised web content to be displayed or distributed using push technology. Increasingly, machine learning artificial intelligence is used to deliver more relevant messages compared to rules-based approaches.
5. CRM also involves review of customer advocacy through techniques such as Net Promoter Score (NPS) and development of programmes to encourage customer advocacy.
6. The development of online communities through social networks, particularly Facebook company pages and LinkedIn groups or independent communities linked to the company site, is a key part of social CRM.
7. Development of an independent customer community may give additional benefits since the community will be more aligned with company goals and customer brand experience.
8. Management of customer value through customer lifetime value and recency–frequency–monetary (RFM) analysis is a core technique for targeting marketing programmes at customers who will generate the most future value for an organisation.

Exercises

Self-assessment exercises

1. Why are digital platforms so suitable for relationship marketing?
2. Explain 'personalisation' in a digital marketing context.
3. What is meant by 'customer profiling'?
4. What are the options for using artificial intelligence to improve marketing communications?
5. How can customer concerns about privacy be responded to when conducting one-to-one marketing using digital communications?
6. Choose an e-commerce sector, e.g. retail, travel or financial services, to explain why different types of automated contact strategies are important.
7. Explain the concept and applications of RFM analysis to different types of web presence.
8. Explain the concept and applications of lifetime analysis.

Exam and discussion questions

1. Explain the factors that influence the development of multichannel customer contact strategies.
2. Explain how customer lifetime value analysis can be applied to improve all aspects of the customer lifecycle.
3. Explore the options, success factors and barriers to delivering artificial intelligence and Big Data applications for marketing.
4. Explore the legal and ethical constraints on implementing relationship marketing using digital media.
5. Explore the opportunities and methods for personalising an interactive web session and adding value for that individual customer.

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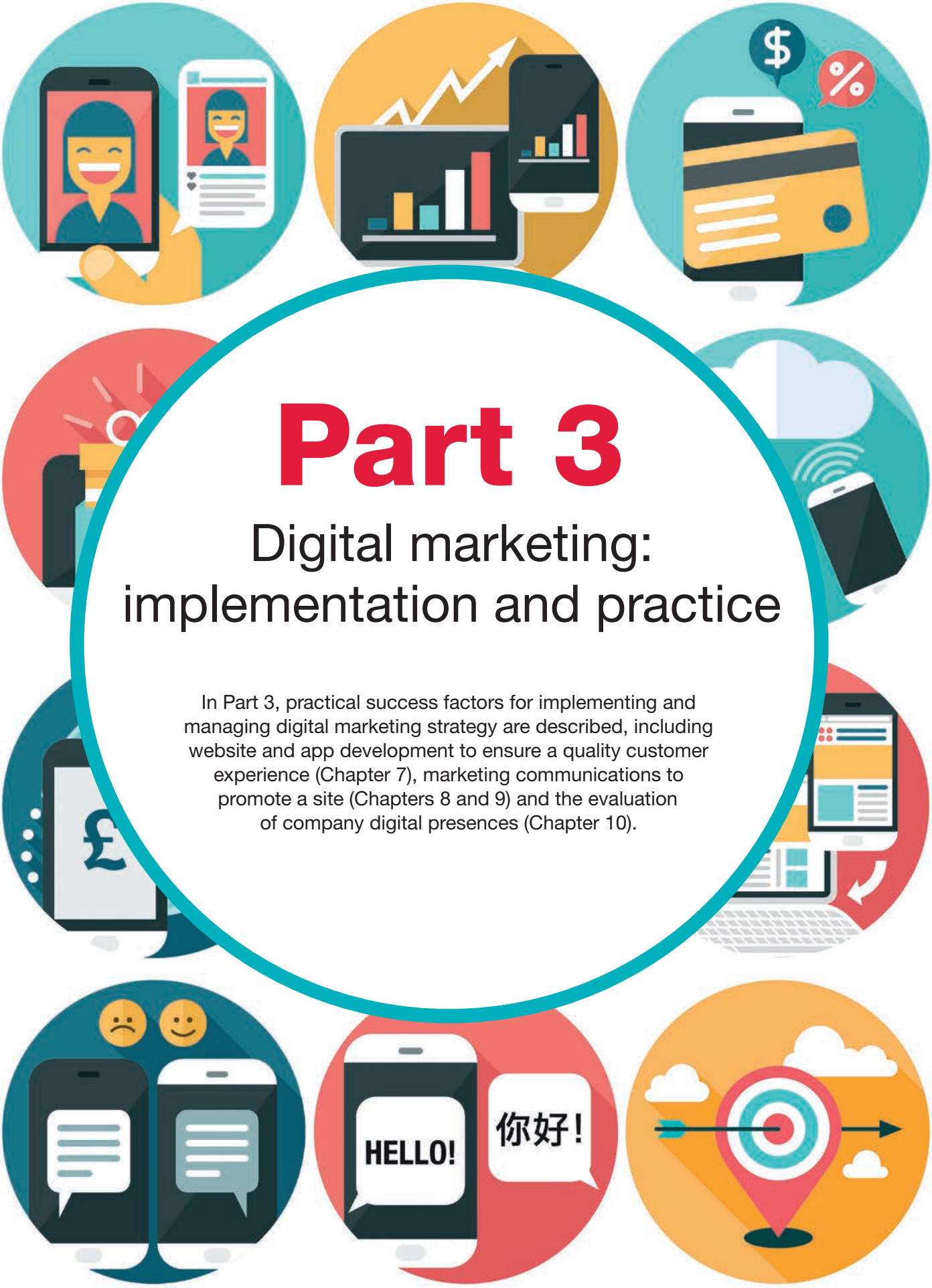
Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter cover websites focusing on CRM, marketing technology services, data management and loyalty.



Part 3

Digital marketing: implementation and practice

In Part 3, practical success factors for implementing and managing digital marketing strategy are described, including website and app development to ensure a quality customer experience (Chapter 7), marketing communications to promote a site (Chapters 8 and 9) and the evaluation of company digital presences (Chapter 10).

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7 Delivering the digital customer experience

Learning objectives and topics

After reading this chapter, you should be able to:

- Describe the different stages and processes needed to create an effective website, mobile app or social media presence and to optimise its performance
  - Planning website, app design and redesign projects
  - Initiation of a digital experience project (including domain registration, hosting, performance and availability)
- Define the success factors that contribute to an effective digital experience delivered as a website, mobile app or, where relevant, in-store, virtual or augmented reality
  - Defining site or app requirements (including usability, accessibility, personalisation and cultural customisation)
  - Designing the information architecture
  - Designing the user experience
  - Mobile design requirements and techniques
  - The Internet of Things
  - Virtual reality and augmented reality
  - Online retail merchandising
  - Evaluating the impact of service quality on e-loyalty

Case study

Case study 7: Refining the online customer experience at i-to-i.com

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 2 explains the technique of persona development, which is used to inform the creation of digital experiences.
- Chapters 4 and 5 describe the development of the digital strategy and tactics that inform online experiences including defining the online value proposition.
- Chapters 8 and 9 describe approaches to promoting websites.
- Chapter 10 describes the analysis of digital customer experience and its maintenance.

Introduction

In the context of the 7Ds of digital marketing we introduced in Chapter 1, this chapter focuses on how to achieve digital marketing goals by creating and optimising digital experiences. We explore the processes that should be put in place to manage the digital technology and data, with a focus on websites and mobile apps forming owned media.

Digital customer experience
A brand's total digital experience includes a brand's presence on different platforms including desktop website, mobile site and apps, ads on gaming platforms and digital in-store. The quality of digital experience is based on the combination of rational and emotional factors of using a company's online services that influences customers' perceptions of a brand online.

Managing the **digital customer experience** for a brand used to be relatively straightforward: businesses simply had a website accessed via desktop computers and an email newsletter alongside offline channels to sale. Today, the picture is far more complex, with the combination of digital touchpoints where marketers seek to influence consumers stretching across paid, earned and owned media on different devices. Consider the customer-facing touchpoints of a brand's digital experience. These can include a desktop or mobile-optimised site, mobile apps, company pages on social media, emails, connected devices and the Internet of Things (IoT). For multichannel retailers, the digital experience also includes providing digital devices in-store, including augmented and virtual reality.

Structure of this chapter

We start the chapter by considering the requirements for a presence that delivers appropriate rational and emotional values. We then look at the processes and stages involved in managing a project to improve the customer experience. Our coverage on website design is integrated with consideration of researching online buyer behaviour, since an appropriate experience can only be delivered if it is consistent with customer behaviour, needs and wants. We then go on to review delivery of service quality online. This includes aspects such as speed and availability of the site itself, which support the rational values, and also fulfilment and support, which are a core part of the promised experience.

Creating effective digital experiences

Given the popularity of digital devices for finding out about brands and services, improving the capability to create and maintain these effective online brand presences is a key part of digital marketing. An 'effective' digital experience must both support marketing goals and deliver relevance and a satisfactory digital customer experience for its audience.

In this chapter we will explain different practical techniques that businesses need to use to create digital experiences that support both business and user goals, including:

- **Project management and quality assurance** – using agile techniques to rapidly prototype, test and refine digital experiences.
- **Conversion rate optimisation (CRO)** – increasingly being used by companies to improve the commercial contribution of online presence to a business by testing different persuasion marketing techniques, as the Mini case study 7.4 on Jack Wills later in this chapter shows.
- **Usability** – improving the user or customer experience (often abbreviated to UX or CX) and customer journeys.
- **Information architecture** – structuring website content and navigation to improve 'findability'.
- **Content marketing strategy** – deciding on the types of content, different formats and how frequently they are updated.
- **Accessibility** – support for disabled users, in particular those that are visually impaired or have difficulty with motor control.
- **Performance** – ensuring the site pages download rapidly and the site is available continuously.
- **Search engine optimisation** (SEO) – ensuring the site is visible within Google and other search engines, and ranks competitively (we cover these techniques at the start of Chapter 9).

Conversion rate optimisation (CRO)
Improving the commercial returns from a transactional site through increasing conversion to key goals such as sales, quotes, bookings or leads. CRO combines customer and competitor research with evaluation of customer behaviour using web analytics and AB and multivariate testing (see Chapter 10 for details).

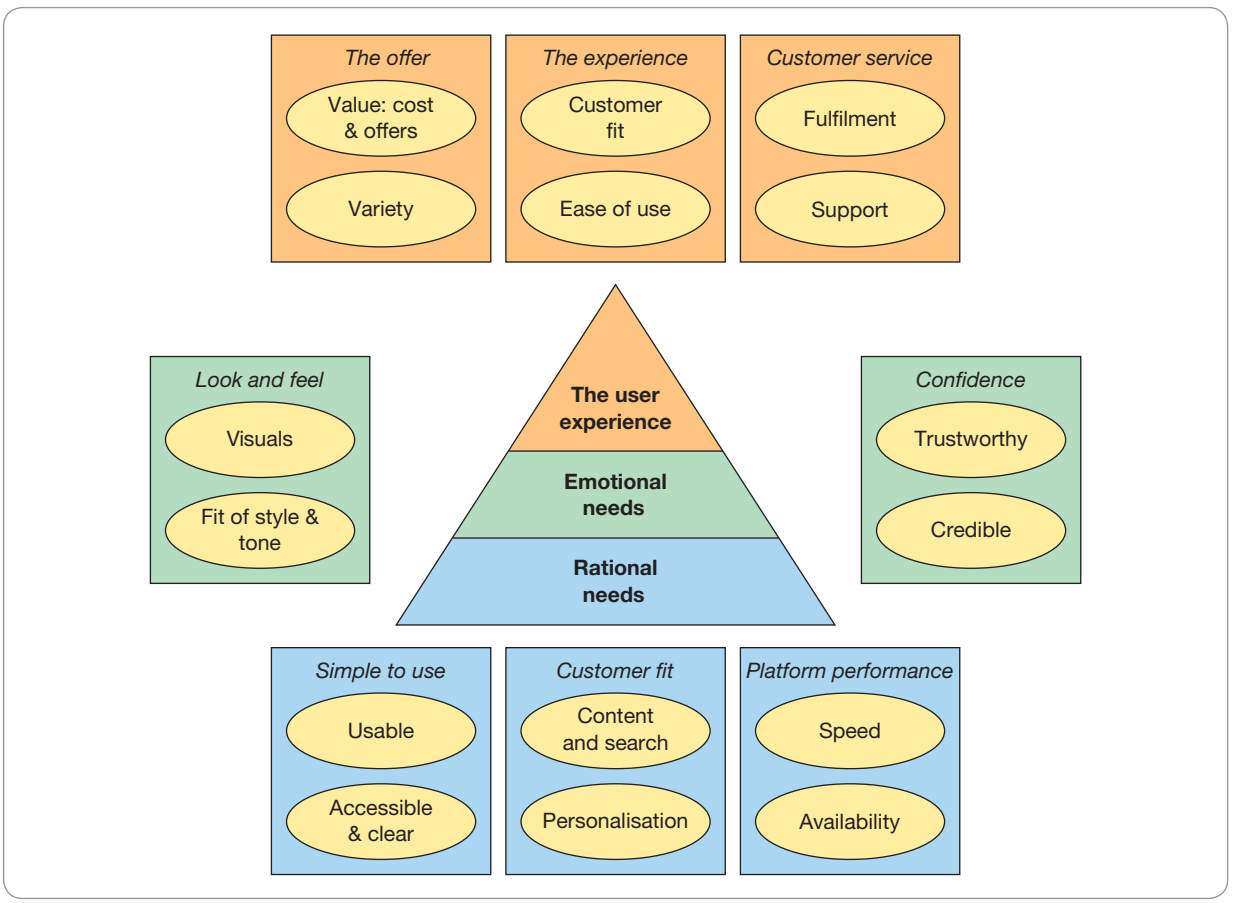
An indication of the need to produce a customer-centric online presence and the techniques businesses need to deploy is given by Alison Lancaster, at the time the head of marketing and catalogues at John Lewis Direct and then marketing director at Charles Tyrwhitt™ (**www.ctshirts.com**), who said:

> A good site should always begin with the user. Understand who the customer is, how they use the channel to shop, and understand how the marketplace works in that category. This includes understanding who your competitors are and how they operate online. You need continuous research, feedback and usability testing to continue to monitor and evolve the customer experience online. Customers want convenience and ease of ordering. They want a site that is quick to download, well-structured and easy to navigate.

You can see that creating effective online experiences is a challenge since there are many practical issues to consider, which we have summarised in Figure 7.1. Marketers need to develop a knowledge of techniques so that they can put in place an 'always-on' programme to improve digital experiences, which will require working with specialists.

Figure 7.1 is based on a diagram by de Chernatony (2001), who suggested that delivering the online experience promised by a brand requires delivering rational values, emotional values and promised experience (based on rational and emotional values). The factors that influence the online customer experience can be presented in a pyramid form of success factors (the different success factors reflect current best practice and differ from those of de Chernatony). The diagram also highlights the importance of delivering service quality online, which we explore at the end of this chapter. More recently, Christodoulides *et al.* (2006) have tested the importance of a range of indicators of online brand equity for online retail and service

Figure 7.1 The online customer experience pyramid – success factors



Source: Based on de Chernatony (2001)

companies. This analysis was performed across five dimensions of brand equity, assessed by considering the following twelve statements, which provide an excellent framework that can be applied to assess and benchmark the quality of brand experience for different types of website:

1. Emotional connection:
   - I feel related to the type of people who are [X]'s customers.
   - I feel as though [X] actually cares about me.
   - I feel as though [X] really understands me.
2. Online experience:
   - [X]'s website provides easy-to-follow search paths.
   - I never feel lost when navigating through [X]'s website.
   - I was able to obtain the information I wanted without any delay.
3. Responsive service nature
   - [X] is willing and ready to respond to customer needs.
   - [X]'s website gives visitors the opportunity to 'talk back' to [X].
4. Trust
   - I trust [X] to keep my personal information safe.
   - I feel safe in my transactions with [X].
5. Fulfilment
   - I got what I ordered from [X]'s website.
   - The product was delivered in the time promised by [X].

WEBQUAL is a similar framework for e-commerce sites covering 14 dimensions across four broad areas of ease of use, ease of information gathering, ease of transactions and entertainment value (Loiacono *et al.*, 2000, 2007). We review alternative customer service frameworks such as SERVQUAL at the end of the chapter.

Customer experience management (CXM)
A holistic approach to managing customer experience and customer engagement across digital and non-digital touchpoints including web, mobile and social digital platforms, in-store and by call centres.

Consider how these elements of effective online brand experience might differ today. Differences could include support for interactions with other customers, including rating of content or products, support for different digital devices, and integration with other online and offline channels. More recent research into assessing company digital capabilities in the context of **customer experience management (CXM)** is limited. Klaus (2014) identifies three levels of company approach to CXM: Preservers, Transformers and

Essential digital skills — Digital experiences and websites

While many people use social media accounts, not all will take the additional time to set up a blog. By creating a blog and updating it occasionally you can learn a lot about the challenges of managing digital experiences.

We recommend you develop these skills:

- how to explain the purpose and proposition of a website;
- how to encourage different forms of audience interaction with a website, e.g. recommended content, navigation, social sharing or data capture, e.g. through a contact form;
- using analytics tools to understand the path and interactions of visitors to a website.

Practical ideas to boost employability by showcasing your interests and experiences include:

- Create a blog using a free or low-cost platform such as **Wordpress.com** or **Wix.com** and write about an area of marketing or a hobby that interests you.
- Apply different themes to the blog to see how cascading style sheets work.
- Set up analytics on the blog, e.g. Google Analytics, so you can understand audience interactions with the site.

Vanguards. He categorises Vanguards as having a 'clear strategic model of CX management impacting all areas of the organisation, and developing commensurate business processes and practices to ensure its effective implementation. While Transformers merely acknowledge the broad-based challenges of CX management, Vanguards integrate functions and customer touchpoints to ensure consistency of the desired customer experiences across their own business.'

Customer journey
A description of modern multichannel buyer behaviour as consumers use different media to select suppliers, make purchases and gain customer support.

In Figure 7.1 these factors are all associated with using the website, but the online customer experience extends beyond this, so effective designs are based on integrating with the entire **customer journey** for different audiences and different scenarios to achieve the best result. Design of an online presence therefore needs to look at the bigger picture, such as facilitating customer service – for a retailer, 'click and collect' and for a B2B organisation, calls with business development people.

Planning website, app design and redesign projects

Despite the growth in social media, the company website, which today must be effective for users accessing via desktop, smartphone and tablet devices, is still at the heart of online communications. For the experience to be effective, a sound process is needed to design, build and refresh the online experience. In the past, it has been a common mistake among those creating a new website for the first time to 'dive in' and start creative design and content creation without sufficient forward planning.

The website design process involves analysing the needs of owners and users of a site and then deciding on the best way to build the site to fulfil these needs. Without a structured plan and careful design, costly reworking is inevitable, as the first version of a site will not achieve the needs of the end users or the business. Follow Activity 7.1 to think through the problems you have experienced when using a site that does not meet your needs.

The process of website development summarised in Figure 7.2 is idealised because, for efficiency, many of these activities have to occur in parallel. Figure 7.3 gives an example of the relationship between these tasks, and how long they may take, for a typical website project.

The main development tasks that need to be scheduled as part of the planning process for any digital experience are as follows:

1. **Pre-development tasks.** For a new site or app, these include domain name registration and deciding on the company to host the website. They also include preparing a brief that sets out the aims and objectives of the site, and then – if it is intended to outsource the site – presenting the brief to rival agencies to bid for and pitch their offering.

Activity 7.1

What can go wrong without a planned approach to website or app design?

Purpose

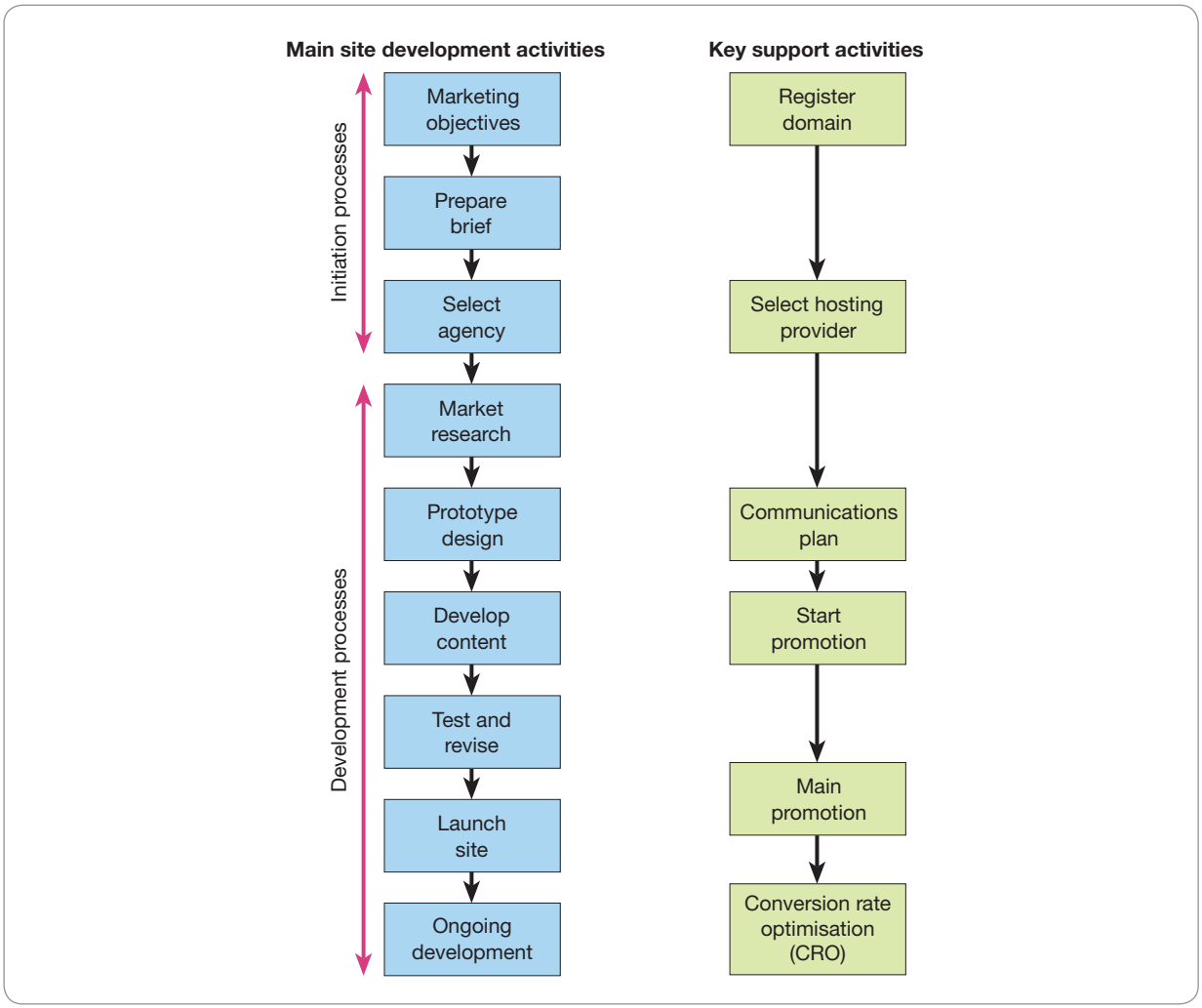
To indicate potential problems to customers, partners and staff if the design of an online presence is not carefully planned.

Activity

Make a list of the potential problems related to a poorly planned design that may be faced by customers of an online retailer. Base your answer on problems you have experienced on a website that can be related to planning and implementation of site design.

The answers you identify all define the requirements for a new website design, including relevant content, acceptable performance, renders correctly in browser, findable within search engines (search engine optimisation, or SEO).

Figure 7.2 Summary of the process of website development



2 **Discovery, analysis and design.** This is a research phase involving detailed analysis and design of the site, and includes clarification of business objectives, market research to identify the audience and typical customer personas and user journeys and their needs, defining the information architecture of different content types and prototyping different functional and visual designs to support the brand.

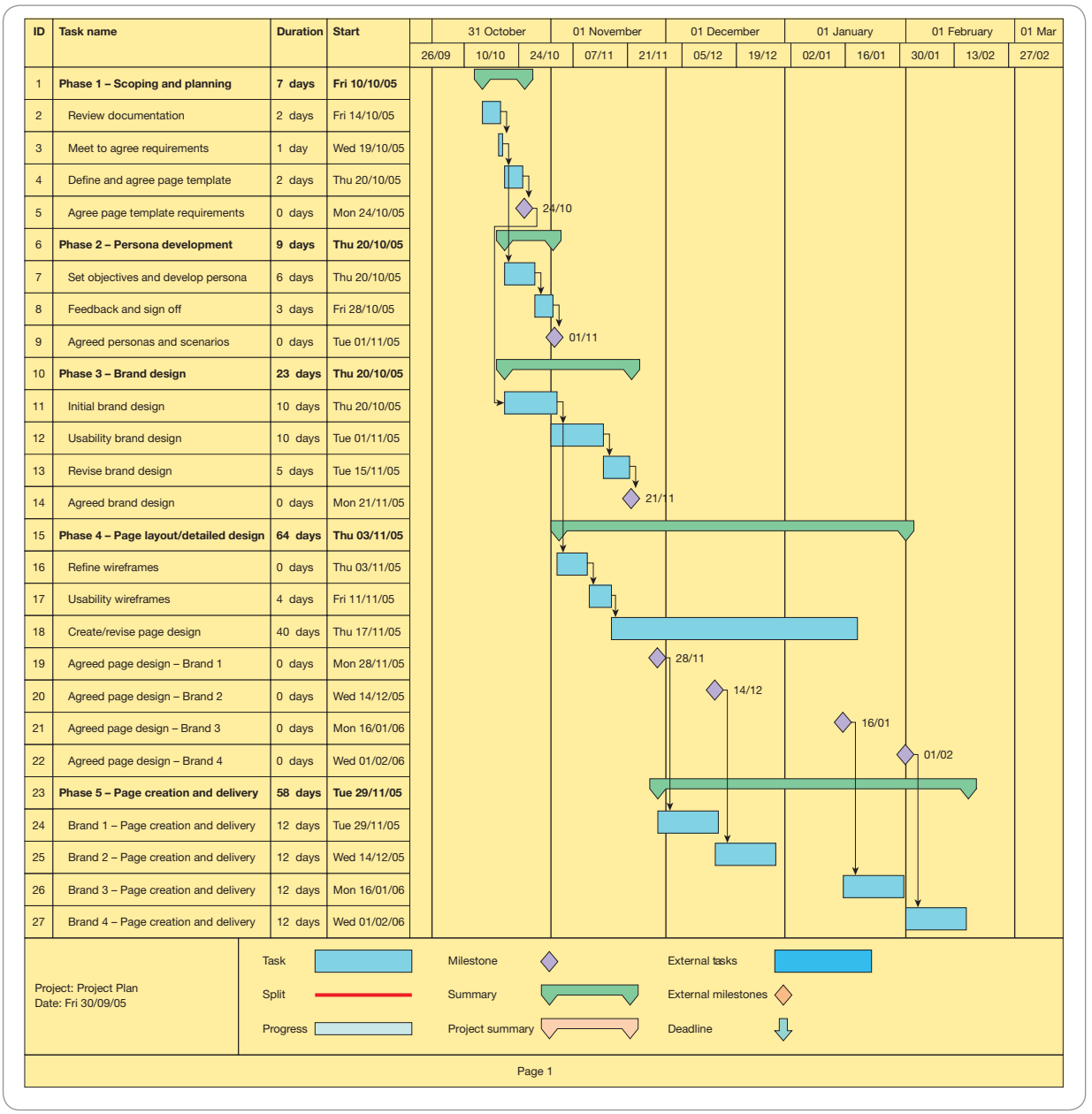
3 **Content creation, coding or development and testing.** Developing the site to create prototypes including integration of content management systems, database integration, usability and performance testing.

4 **Publishing or launching the site or improvement.** This is a relatively short stage, involving releases of different versions of an application or website update. Often a **soft launch** is used, where the site is updated but the version is not widely communicated until the owners are sure the site is stable. Some site owners test features with a limited number of users to assess their impact before the features are rolled out more widely.

Soft launch
A trial version of a site, launched with limited publicity.

5 **Pre-launch promotion or communications.** Search engine registration and optimisation is most important for new sites. Although search engines can readily index a new site, they don't give the same level of visibility to new sites (sometimes known as 'the Google sandbox effect'), where the site is effectively on trial until it is established with links from other sites indicating its credibility. Briefing the PR company to publicise the launch is another example of pre-launch promotion.

Figure 7.3 Example of a website 'design and build' project timeline



6 **Ongoing promotion.** The schedule should also allow for promotion after site launch. This might involve structured discount promotions on the site, or competitions that are planned in advance. Many now consider search engine optimisation, content marketing and pay-per-click marketing (Chapter 9) as a continuous, 'always-on' process, and will often employ a third party to help achieve this.

7 **Ongoing development.** It used to be commonplace for there to be a time gap of several years between major website redesigns involving new layout and typography. Although content relating to products, services and promotions would be updated, the layout of page templates remained static. Increased adoption of CRO, which we described at the start of the chapter, means that the process of tasks 1 to 5 is repeated between major updates using an agile development process, as explored further in the next section.

Today, new website design and build projects for existing businesses are less common, although still needed for new startups, new brands or campaigns. Instead, what has become

more common are website redesigns and relaunches and the continuous approach of conversion rate optimisation. This change in emphasis is illustrated by many larger businesses in the retail sector, which now have teams to continuously boost conversion rates. For example, speaking at Ecommerce Expo in 2014, Gareth Jones, deputy CEO of Shop Direct™, explained how, as part of a programme of digital transformation, it had increased the number of experiments to test improvements to conversion to over 50 per month, with the aspiration to more than double them. He says:

> In two years' time, we'll have more challengers live in a visit than competitors launch in a year.

He also reported that you need to invest in a range of tests since naturally not all will be successful, with around one-third giving a significant improvement in revenue, one-third failing and one-third neutral.

Who should be involved in a digital experience project?

The success of a website is dependent on the range of people involved in its development, and how well they work as a team. Typical profiles of team members in a larger organisation are as follows:

- **Site sponsors.** These will be senior managers who will effectively be paying for the system from their budgets. They will understand the strategic benefits of the system and will be keen that the site is implemented successfully to achieve the business objectives they have set.
- **Site owner.** 'Ownership' will typically be the responsibility of a marketing manager or e-commerce manager who may be devoted full-time to overseeing the site in a large company or it may be part of a marketing manager's remit in a smaller company.
- **Project manager.** This person is responsible for the planning and coordination of the website project. They will aim to ensure that the site is developed within the budget and time constraints that have been agreed at the start of the project, and that the site delivers the planned-for benefits for the company and its customers.
- **Site designer.** The site designer will define the 'look and feel' of the site, including its styling through cascading style sheets (CSS), layout and how company brand values are transferred to the web.
- **Content developer.** The content developer will write the copy for the website and convert it to a form suitable for the site. In medium or large companies this role may be split between marketing staff or staff from elsewhere in the organisation who write the copy.
- **Web developer and webmaster.** These are technical roles. The web developer implements the site design using the application development language used for delivering the content. The webmaster is responsible for ensuring the quality of the site. This means achieving suitable availability, speed, working links between pages and connections to company databases. In small companies these roles may also take on graphic design and content developer roles.
- **Digital experience analyst or CRO expert.** Familiar with business needs and customer journey, and can also analyse digital analytics to identify site effectiveness and how to run conversion rate optimisation experiments (as explained further in Chapter 10).
- **Stakeholders.** The impact of the website on other members of the organisation such as marketing, product and brand managers should not be underestimated since they will also be involved with content updates.

While the site sponsor and site owner will work within the company, many organisations outsource the other resources since full-time staff cannot be justified in these roles. There are a range of different choices for outsourcing, which are summarised in Activity 7.2.

We are seeing a gradual blurring between these different types of suppliers as they recruit expertise so as to deliver a 'one-stop shop' or 'full-service agency', but they still tend to be strongest in particular areas. Companies need to decide whether to partner with the 'best of breed' in each, or to perhaps compromise and choose the one-stop shop that gives the best balance and is most likely to achieve integration across different marketing activities.

Activity 7.2 Options for outsourcing different digital marketing activities

Purpose

To highlight the outsourcing available for digital marketing and to gain an appreciation of how to choose suppliers.

Activity

A B2C company is trying to decide which of its digital-experience-related activities it should outsource. Select a single supplier that you think can best deliver each of the services indicated in Table 7.1. Justify your decision.

Table 7.1 Options for outsourcing different digital marketing activities

Digital marketing function	Traditional marketing agency	Digital marketing agency	Traditional IT supplier	Management consultants
1 Strategy				
2 Design				
3 Content and service development				
4 Online promotion				
5 Offline promotion				
6 Infrastructure				

Prototyping

Figure 7.2 is a simplification of real-world development and optimisation approaches. In reality, iteration of designs using agile development or prototyping is required. Then, once a working version is finalised, it should be tested through user testing and then live testing using CRO including the AB/multivariate testing approaches described in Chapter 10.

Prototypes are trial versions of an entire website or a part of the site being refined that are gradually refined through an iterative process to become closer to the final version. Initial prototypes or 'mockups' may simply be paper prototypes or storyboards, perhaps of a '**wireframe**' or screen layout. These may then be extended to include visuals of key static pages. Finally, working prototypes will be produced as HTML code is developed. The intention of an iterative approach is that the design agency or development team and the marketing staff who commissioned the work can review and comment on prototypes, and changes can then be made to the site to incorporate these comments. Prototyping should result in a more effective final site or mobile app that can be developed more rapidly than a more traditional approach with a long period of requirements determination. For major releases, the aim of prototyping is creating alpha and beta versions of systems, explained in Digital marketing insight 7.1.

Each iteration of the prototype typically passes through these stages:

1. **Discovery or analysis.** Understanding the requirements of the audience of the site and the requirements of the business, defined by business and marketing strategy (and comments input from previous prototypes).
2. **Design.** Specifying different features of the site that will fulfil the requirements of the users and the business as identified during analysis.
3. **Develop.** The creation of the web pages and the dynamic content of the website.
4. **Test and review.** Structured checks conducted to ensure that different aspects of the site meet the original requirements and work correctly.

Prototype
A preliminary version of part, or a framework of all, of a website or app, which can be reviewed by its target audience or the marketing team. Prototyping is an iterative process in which website users suggest modifications before further prototypes and then the final version of the site are developed.

Wireframe
A simplified outline of a single-page template used to define new layout or functionality for part of a website for discussion, iteration and then a brief for implementation.

Digital marketing insight 7.1 Success factors for delivery

The UK Government 'Service Manual' (**www.gov.uk/service-manual**) describes the process for developing online services using an agile approach covering discovery, beta, alpha and live stages. The UK Government Digital Service takes each new service it wants to bring online or relaunch through four main phases and a retirement phase. These mirror those phases used in commercial projects, which use similar terminology in agile. These are:

- **Discovery (4–8 weeks).** The discovery phase gives a high-level understanding of user needs, defines KPIs and scopes initial prototypes that may be needed.
- **Alpha (6–8 weeks).** The alpha phase involves exploring solutions for user challenges. More developers and designers will be brought into the team, and will help you to build and test prototypes and possible solutions for your users' needs.
- **Beta.** The objective of the beta phase is to build a fully working prototype, which is tested with users and may involve private and public betas.
- **Live.** The original 2013 Government Service Manual explained: 'The work doesn't stop once your service is live. You'll be iteratively improving your service, reacting to new needs and demands, and meeting targets set during its development.'

The latest service manual (**www.gov.uk/service-manual/service-standard**) defines 14 criteria for an effective digital experience project, the majority of which also apply to commercial projects.

Figure 7.4 gives an example of a real-world prototyping approach used by Belron Autoglass, as described by Sullivan (2011). Clicktale monitoring refers to a tool for tracking mouse movement and website interactions. Start 90/10% refers to the prototype being tested on the live site – 90% of the audience receives the old version and the remainder the prototype, so that any errors don't affect all visitors.

Agile software development

Agile software development
An iterative approach to developing software and website functionality with the emphasis on face-to-face communications to elicit, define and test requirements. Each iteration is effectively a mini-software project including stages of planning, requirements analysis, design, coding, testing and documentation.

Scrum
A methodology that supports agile software development based on 15–30-day sprints to implement features from a product backlog. 'Scrum' refers to a daily project status meeting during the sprint.

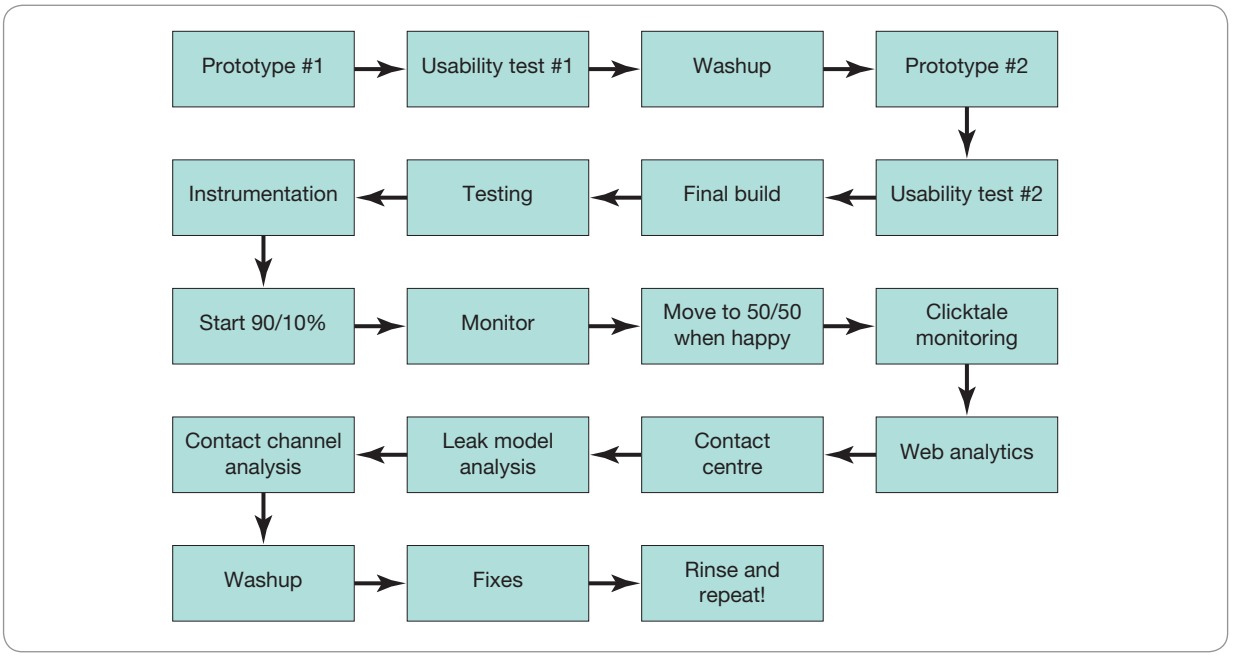
Today, the concept of prototyping has been extended across the whole lifecycle for developing website functionality or software applications, where it is known as **agile software development**. The goal of agile development is to be able to create stable releases more frequently than traditional development methodologies, i.e. new functionality will be introduced through several releases each month rather than a more significant release every few weeks, months or even years. The approach is sometimes known as 'permanent beta'. Another difference with agile development is the emphasis on face-to-face communication to define requirements rather than detailed requirements specifications.

Scrum is an agile software methodology that supports agile software development. Scrum involves stakeholders including the *scrum master*, who is effectively a project manager, the *product owner*, who represents the stakeholders such as the business owners and customers, and the *scrum team*, which includes the developers.

Scrum is based on focused sprints of a 15–30-day period where the team creates an increment of potentially releasable software. Potential functionality for each sprint is agreed at a sprint planning meeting from the product backlog, a prioritised set of high-level requirements. The sprint planning meeting is itself iterative, with the product owner stating their requirements from the product backlog and the technical team then determining how much of this they can commit to complete during the forthcoming sprint. The term 'scrum' refers to a daily project status meeting during the sprint.

The principles of agile development are encapsulated in the 'Agile Manifesto', which was agreed in 2001 by proponents of previous rapid development methodologies including the

Figure 7.4 Iterative approach to improving site effectiveness



Source: Sullivan (2011)

Dynamic System Development Method and Extreme Programming. Its principles are still promoted by the Agile Alliance (**www.agilealliance.org**) and widely used today:

> We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:
>
> - individuals and interactions over processes and tools;
> - working software over comprehensive documentation;
> - customer collaboration over contract negotiation;
> - responding to change over following a plan.
>
> That is, while there is value in the items on the right, we value the items on the left more.

DevOps
An approach to development of systems that involves a more collaborative and closer relationship between development and operations teams with the aim of reducing deployment times and frequency of system updates and improving their stability.

Closely related to the agile approach is **DevOps**, a widely used term that highlights the benefits of development and IT operations teams working and using tools to support testing and collaboration in large organisations.

Growth hacking

Growth hacking
A mindset that focuses marketing activities on increasing the scale and profitability of a business through testing and improving techniques for improving the value of audience touchpoints across the customer lifecycle of reach, interactions, conversion and engagement.

Protoyping using agile, scrum and DevOps approaches are technical approaches to development and quality assurance of digital services. The concept of **growth hacking** has been developed to apply similar thinking to the management for the profitable growth of startup businesses through using an agile approach. However, it can be applied to established businesses that want to encourage the ideate, test and refine innovation in business and revenue models. When the concept was initiated, Andrew Chen (2012), an entrepreneur who was advisor and investor to many startups, described a growth hacker as follows, in his post 'Is the growth hacker the new VP marketing?':

> Growth hackers are a hybrid of marketer and coder, one who looks at the traditional question of 'How do I get customers for my product?' and answers with A/B tests, landing pages, viral factor, email deliverability, and Open Graph. On top of this, they layer the discipline of direct marketing, with its emphasis on quantitative measurement, scenario modelling via spreadsheets, and a lot of database queries.

This quote shows that many of the features, such as a focus on testing and learning through conversion rate optimisation (CRO) are not new, indeed they have been featured in this text for several editions; it shows a change in mindset in how business transformation can be achieved. Another key feature of growth hacking is applying techniques for how to achieve viral growth through encouraging users to share their experience. The growth of Hotmail from 0 to 12 million users before it was bought by Microsoft is a favourite anecdote of growth hackers. For Hotmail the sharing was rapid, due to the email signature: 'PS I love you. Get your free email at Hotmail.' Today, encouraging sharing through social sign-on and social sharing is more an approach sought by growth hackers. These techniques have helped companies like LinkedIn grow from 13 million to 175 million users according to Schranz (2012), who explained that Facebook's growth team started by establishing a simple framework of things to measure and improve to make it easier for everyone to understand what to focus on and why it matters:

- **Acquisition:** get people in front of your product.
- **Activation:** provide a great initial experience.
- **Engagement:** keep people engaged, deliver value.
- **Virality:** get people to recommend your product.

Initiation of a digital experience project

Initiation of the website project
This phase of the project should involve a structured review of the costs and benefits of developing a website (or making a major revision to an existing website). A successful outcome to initiation will be a decision to proceed with the site development phase, with an agreed budget and target completion date.

Before the analysis, design and creation of the website, all major projects will have an initial phase in which the aims and objectives of the website are reviewed, to assess whether it is worthwhile investing in the website and to decide on the amount to invest. The **initiation of the website project** provides a framework for the project that ensures:

- there is management and staff commitment to the project;
- objectives are clearly defined;
- the costs and benefits are reviewed in order that the appropriate amount of investment in the site occurs;
- the project will follow a structured path, with clearly identified responsibilities for different aspects such as project management, analysis, promotion and maintenance;
- initial activities such as domain name registration and website hosting are completed;
- the implementation phase will ensure that important aspects of the project, such as website performance, availability, testing and promotion, are planned.

Domain name registration

Domain name registration
The process of reserving a unique web address that can be used to refer to the company website, in the form of **www.<companyname>.com** or **www.<companyname>.co.uk**.

If a project or campaign involves a new site rather than simply an upgrade, it will be necessary to **register a new domain name**, more usually referred to as a 'web address' or 'uniform (or universal) resource locator' (URL).

Choosing a domain name is a relatively simple decision. We explained the different alternatives in Chapter 3, noting that it's becoming more common for international businesses to have a single generic top-level domain (gTLD). For example, Charles Tyrwhitt has changed their UK presence from **ctshirts.co.uk** to **ctshirts.com/uk** with different subfolders for different international sites.

The following guidelines should be borne in mind when registering domain names for new businesses or campaigns:

1. *Campaign microsites may hinder findability and give maintenance problems.* If a new site is created specifically for a campaign this can cause problems since although Google's robots will crawl it rapidly, it will probably not rank highly without backlinks from other sites, so it will have poor visibility (as described in Chapter 9 in the section on SEO). For

this reason, it is often better to redirect visitors typing in the domain name to a campaign subfolder on an existing site.

2. *Organisations should register multiple ccTLDs to protect their reputation*. As described in Chapter 3, 'domainers' may seek to purchase domain extensions or ccTLDs that would rightly belong to the brand, such as **.org.uk** or **.info**, or their equivalents in other countries.
3. *New startup companies should consider whether the company and domain name can assist in SEO*. While existing brands will use their main company or brand name for a site, new companies may benefit if the domain name contains a keyphrase that searchers will seek.
4. *Domain renewal process should be managed*. Managers or agencies responsible for websites need to check that domain names are automatically renewed by the hosting company. For example, the **.co.uk** domain must be renewed every two years.

Selecting a hosting provider

Selecting the right partner to host a website is an important decision since the quality of service provided will directly impact on the quality of service delivered to a company's customers. The partner that hosts the content will usually be a specialist hosting provider, such as Rackspace™ (**www.rackspace.com**). Before the advent of cloud-based services it was commonplace for hosts to offer shared or dedicated servers in their own or other providers' data centres, Shared servers could potentially give performance problems if there was a high load from others using the server. Today, providers like Rackspace also offer hosting managed by virtual servers on cloud-based platforms such as Amazon Web Services, DigitalOcean, Google Cloud, Microsoft Azure or VMware. These platforms have the benefit that they may be more cost-effective for companies that have varying traffic loads since they can scale their service depending on variations in demand during the week. However, specialist skills are required to manage servers on these platforms and fees are harder to predict, so it is arguably best for smaller businesses to host their sites on a traditional server where there is usually a fixed price per month. Many smaller businesses now use the open-source content management system WordPress to manage their websites on a server. It uses the scripting language PHP with data stored and retrieved in the MySQL database management system. In some cases, for startups or micro-businesses with no technical staff, it is simpler to use a service such as **Wordpress.com**, using customisable themes for design, or a different managed 'website builder' platform such as Wix or Squarespace, which doesn't require technical knowledge of servers or coding.

The quality of service of hosted content is essentially dependent on two factors: the performance of the website and its availability.

Website performance optimisation

It's important for site owners to recognise that page download performance is essential to the success of a site, even when many users have broadband connections and sites are hosted with high-**bandwidth** connections to the internet.

Bandwidth
Indicates the speed at which data are transferred using a particular network medium. It is measured in bits per second (bps).

Site performance has become more important with the increased adoption of smartphones, which typically have lower bandwidth connections than desktops. Research by Google (Karnowski, 2017) has shown that the recommended average user perception of acceptable download time is two seconds, while for the average European website it is around eight seconds. To encourage businesses to improve site performance, Google has created tools such as PageSpeed Insights to provide benchmarking data and identify bottlenecks restricting performance. Google (2021) noted that longer page load times have a severe effect on bounce rates (which measure the proportion of visitors to a page who stay on the page/site or leave). For example:

Core Web Vitals
Google-defined measures added to their pre-existing Search signals for page experience, including mobile-friendliness, safe browsing, HTTPS security and intrusive interstitial guidelines that may negatively affect ranking if quality is low. They are: largest contentful paint (LCP), which refers to page loading performance; first input delay (FID), which is the responsiveness of your web page based on when the browser can first respond to an interaction; and cumulative layout shift (CLS), which refers to the frequency of unexpected layout changes as the page loads.

- If page load time increases from 1 second to 3 seconds, bounce rate increases 32 per cent.
- If page load time increases from 1 second to 6 seconds, bounce rate increases by 106 per cent.

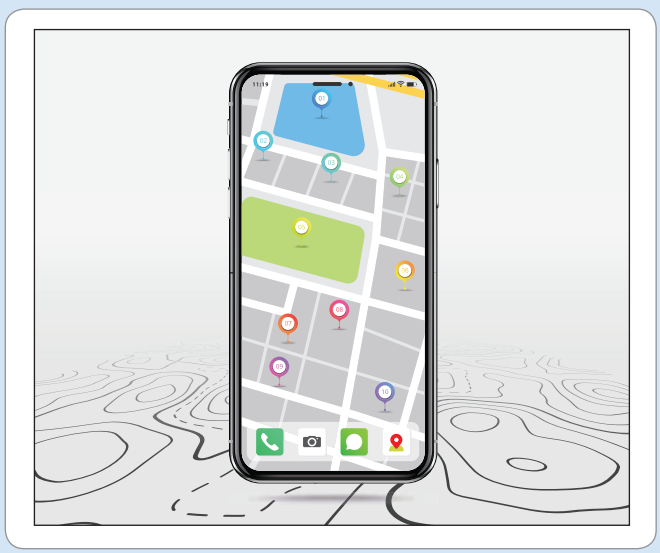
Google (2021) also explains why new **Core Web Vitals** measures were introduced for webmasters to review their page performance in Google Search Console, which should be monitored for every business, since poor experience for users may be penalised in organic search engine rankings.

It's worth noting that innovation in the protocols used for transmitting data can help site performance too. HTTP/2 is a major revision of the HTTP network protocol used by the World Wide Web for data transfer between web browsers and servers, which is potentially faster and is being rolled out at the time of writing. The majority of sites now use secure 'HTTPS' protocol (denoted by the padlock symbol in the browser bar). Google is encouraging sites to use https since it is more secure, and it favours secure '**https://**' sites when ranking them.

The example in Mini case study 7.1 of Metro Bank™ shows that redesigning sites to improve performance and usability can have significant benefits in customer satisfaction. Pages now load for 90 per cent of users in under two seconds.

Mini case study 7.1 — Metro Bank transforms digital customer experience with a revamped, responsive website

Metro Bank first opened its doors in the summer of 2010, the first high-street bank to open in the United Kingdom in over 100 years. As the United Kingdom's leading challenger bank, Metro Bank prides itself on offering the very best in service and convenience for its customers nationwide.



Source: PST Vector/Shutterstock

As a result, Metro Bank wished to transform its public-facing website, **www.metrobankonline.co.uk**, so that it accurately reflected the award-winning bank's service offering, brand identity and vision. It also wanted to ensure the site was fully responsive on all devices and also easy to update and manage for all content editors. The revamped website also had to be delivered to a tight five-month timescale.

Metro Bank's established technology partner, Netcel™ worked collaboratively with Deloitte Digital™, who provided additional art direction and template designs, together with a number of third-party specialists. Netcel built the revamped website on the latest version of Episerver, using its recognised Episerver expertise at delivering complex integrated websites. It created all the front-end page templates, including headers, footers and navigation. The new user interface was tested rigorously.

Thanks to its collaborative agile process, Netcel was able to deliver this highly complex large-scale and multi-faceted project in just five months, with the project culminating in an out-of-hours launch.

Since relaunch, Netcel has been working on subsequent releases incorporating new requirements and optimisation of existing features such as a mortgage calculator tool.

And, according to Metro Bank, public reaction to the new website has been 'overwhelmingly positive', and Metro Bank's score has already risen from 4.5 to 7.5 in independent 'Digital Confidence' tests.

Source: Netcel (2017)

Content distribution (or delivery) networks (CDNs)
A system of servers distributed globally with copies of data stored locally to enable more rapid download of content. Their use has increased with increased use of streaming video and more complex web applications.

Another tactic that can help performance is applying **content distribution networks (CDNs)** such as Akamai and Cloudflare that help deliver content more rapidly. Cloudflare is free and also offers protection against distributed denial-of-service (DDoS) attacks.

The availability of the website

The availability of a website is an indication of how easy it is for a user to connect to it. In theory, this figure should be 100 per cent, but sometimes, for technical reasons such as failures in the server hardware or upgrades to software, the figure can drop substantially below this.

Sites also need to be configured to be able to deal with increased loads at certain times, e.g. during sales periods. SciVisum (2005) recommends that companies do the following:

- Define the peak visitor throughput requirements for each customer journey on the site. For example, the site should be able to support at the same time: approximately ten checkout journeys per second, 30 add-to-basket journeys per second, five registration journeys per second, two check-my-order-status journeys per second.
- Service-level agreement – more detailed technical requirements need to be agreed for each of the transaction stages. Home-page delivery time and server uptime are insufficiently detailed.
- Set up a monitoring programme that measures and reports on the agreed journeys 24/7.
- Larger organisations usually have dedicated teams to monitor and correct problems with site performance and availability. Smaller businesses and their agencies should remember to put in place automated low-cost or free monitoring tools such as Pingdom or Uptrends to highlight problems.

Defining site or app requirements

Discovery or analysis phase
The identification of the requirements of an online service. Techniques to achieve this may include quantitative analysis of digital analytics data and qualitative analysis involving focus groups, questionnaires sent to existing customers or interviews with key accounts.

The **discovery or analysis phase** involves using different marketing research techniques to find out the needs of the business and audience, whether it's a website, mobile site, app or company social page. These needs can then be used to drive the design and content of the website.

Analysis is not a 'one-off' exercise, but is likely to be repeated for each iteration of the prototype since we need to research requirements against the prototype. Although analysis and design are separate activities, there tends to be considerable overlap between the two phases. In analysis we are seeking to answer the following types of 'who, what, why, how, when, where' questions, each of which has an associated analysis technique:

- Who are the key audiences for the site or app? (See personas explanation in Chapter 2.)
- In which context, i.e. when, where and on which devices, is the experience primarily accessed: at home, at work or while mobile?
- Why should they use the site or app (what will appeal to them)?
- What should the content be? Which services will be provided (value proposition)?
- How will the content be structured and labelled (information architecture)?
- How will navigation occur (findability)?
- What are the 'top tasks' that users will want to complete? What will the main 'customer journeys' be?

- What are the main marketing outcomes we want the experience to deliver, such as registration, leads and sales, and how will we increase them (persuasion and CRO)?

User-centred design
A design approach that is based on research of user characteristics and needs.

To help answer these questions, web designers commonly use a research-based approach known as **user-centred design**, which uses a range of techniques such as surveys and focus groups to ensure the site meets user needs. This often involves ethnographic research used to build the website design or customer personas (as described in Chapter 2, where there are more details on creating personas that summarise different customer journeys).

A structured approach to user-centred design is defined in the standard ISO 9241-210 'Ergonomics of human-system interaction: human-centred design for interactive systems'. It describes human-centred design as:

> an approach to systems design and development that aims to make interactive systems more usable by focusing on the use of the system and applying human factors/ergonomics and usability knowledge and techniques.

We will now explore the key requirements for an online presence: business requirements and user requirements, which comprise usability, accessibility and information needs.

Mini case study 7.2 illustrates how research can inform user-centred design and improve the digital experience.

Mini case study 7.2 — Beachbody On Demand's app rating improved by over two points

Beachbody on Demand (BOD) started as a simple DVD offering fitness advice combined with a supplement company. It was founded in 1998 by Carl Daikeler and Jon Congdon in Santa Monica, California. Beachbody On Demand, a video on demand (VOD) streaming subscription service was launched in 2015 and is used by

Source: Studio Romantic/Shutterstock

a global audience. Workouts are available on Beachbody on Demand accessible by signing into the company website or via mobile apps available on the Apple App Store and Google Play. The brand describes its value proposition as follows: "*Beachbody On Demand (BOD) is the only streaming platform that combines fitness, nutrition, and support all in one place. Members get access to a library of over 1,500 fitness workouts & meditations, nutrition plans, recipes, and community support – everything they need to help them get results fast and achieve their health and fitness goals*".

Due to lockdowns related to the COVID-19 pandemic, Beachbody On Demand experienced growth of more than 300 percent in new subscribers, passing 2 million overall by April 2020. The company streamed free classes for children on Vimeo during the pandemic. 93.2 million hours of fitness & nutrition content were streamed on Beachbody On Demand in 2020.

To improve its user experience, the company has used voice of the customer (VoC) tools, including Usabilla to gain feedback from its customer base. This tool, like other digital analytics tools, gives insight on the platform and device used to access the service. For example, browser type, screen resolution, device and page load time can be reviewed to investigate whether usability problems are specific to some digital devices or browsers.

From insight gained from surveys enabled by VoC tools, BOD was able to improve customer journeys by the brand recommending smartphone users access the platform using mobile apps rather than through the website web platform. This was achieved simply by using recommendation panels on their website with links to download the mobile app, directing web traffic to the relevant app store.

Before adopting VoC research, BOD had 158 ratings with an overall App Store rating of 2.8 out of 5. As a result of improvements based on customer insight gained, it received over 6,000 more ratings. Its score has since increased to 4.9 (up 2+ points) and it now has over 17,000 app store ratings.

VoC tools are also used to deliver customer service since for feedback where the customer leaves their contact information, BOD's customer service team contacts the customer to discuss and resolve feedback. Common problems experienced by customers are added to an online knowledge base for the application containing categorised and searchable frequently asked questions (FAQ).

Source: The Beachbody Company (**https://www.teambeachbody.com/shop/gb/corporate/aboutus**)

Business requirements

Marketing-led site design
Site design elements are developed to achieve customer acquisition, retention and communication of marketing messages.

With a focus on user-centred design, there is a risk that business requirements to achieve marketing outcomes may be marginalised. A **marketing-led site design** is informed by marketing objectives and tactics. A common approach is to base the design on achieving the performance drivers of successful digital marketing (referred to in Chapter 4) and the loyalty drivers referred to at the start of this chapter. Design will be led by the following performance drivers:

- **Customer acquisition.** The online value proposition must be clear. Appropriate incentives for customer acquisition and permission marketing such as those described in Chapter 6 must be devised.
- **Customer conversion.** The site must engage first-time visitors. Call to action for customer acquisition, lead generation and retention offers must be prominent, with benefits clearly explained. The fulfilment of the offer or purchase must be as simple as possible to avoid attrition during this process.
- **Customer retention.** Appropriate incentives, content and customer service information to encourage repeat visits and business must be available (see Chapter 6).
- **Service quality.** This has been covered in this chapter. Service quality is affected by site navigation, performance, availability and responsiveness to enquiries.
- **Branding.** The brand offer must be clearly explained and interaction with the brand must be possible.

Persuasion marketing
Using design elements such as layout, copy and typography together with promotional messages to encourage site users to follow particular paths and specific actions rather than giving them complete choice in their navigation.

Marketing-led site design is also known as **persuasion marketing**. Consultant Bryan Eisenberg (**www.bryaneisenberg.com**) was an early advocate of persuasion marketing alongside other design principles such as usability and accessibility. He says this type of focus on marketing outcome is required:

> During the wireframe and storyboard phase we ask three critical questions of every page a visitor will see:
>
> 1 What action needs to be taken?
> 2 Who needs to take that action?
> 3 How do we persuade that person to take the action we desire?

Fogg (2009) has developed a model to inform persuasive design. The Fogg Behavior Model (**www.behaviormodel.org**) asserts that for a person to perform a target behaviour, they must 1) be sufficiently motivated, 2) have the ability to perform the behaviour and 3) be triggered to perform the behaviour. These three factors must occur at the same moment, otherwise the behaviour will not happen.

Dark patterns
A persuasion marketing technique based on misleading people using subtle design and interface messaging to make an offer appear more compelling in order to increase conversion and revenue.

Before we review user-centred design processes, consider Mini case study 7.3, which shows how one company has developed a site that blends marketing-led and user-centric design.

Note that there is a risk that a focus on persuasion marketing and conversion rate optimisation using AB testing may result in unethical approaches, which aren't illegal but many would consider misleading. These are sometimes known as **dark patterns** since they aim to use subtle design techniques to make an offer more compelling or add additional fees in order to increase conversion and revenue.

Usability requirements

Usability
An approach to website design intended to enable the completion of user tasks.

Usability is a concept that can be applied to the analysis and design of a range of products that defines how easy they are to use. The British Standard (BSI)/ISO Standard (1999) 'Human-centred design processes for interactive systems' defines usability as:

> the extent to which a product can be used by specified users to achieve specified goals with effectiveness, efficiency and satisfaction in a specified context of use.

You can see how the concept can be readily applied to website design – web visitors often have defined *goals*, such as finding particular information or completing an action such as booking a flight or viewing an account balance.

For a site to be successful, the user tasks or actions need to be completed:

- **effectively:** ISO 9241-210 defines effectiveness as '*accuracy and completeness with which users achieve specified goals*'. Digital experience usability specialists measure task completion; for example, only three out of ten visitors to a website may be able to find a telephone number or other piece of information.
- **efficiently:** ISO 9241-210 defines efficiency as '*resources expended in relation to the accuracy and completeness with which users achieve goals*'. Digital experience usability specialists also measure how long it takes to complete a task on site, or the number of clicks it takes.

Jakob Nielsen explained well the imperative for usability in his 'Usability 101' (Nielsen, 2012). He said:

> On the web, usability is a necessary condition for survival. If a website is difficult to use, people leave. If the homepage fails to clearly state what a company offers and what users can do on the site, people leave. If users get lost on a website, they leave. If a website's information is hard to read or doesn't answer users' key questions, they leave. Note a pattern here?

Nielsen (2012) advises that usability is defined by 5 *quality components* that add more detail to what is required for a site to be effective and efficient:

- **Learnability:** How easy is it for users to accomplish basic tasks the first time they encounter the design?
- **Efficiency:** Once users have learned the design, how quickly can they perform tasks?
- **Memorability:** When users return to the design after a period of not using it, how easily can they re-establish proficiency?
- **Errors:** How many errors do users make, how severe are these errors, and how easily can they recover from the errors?
- **Satisfaction:** How pleasant is it to use the design?

For these reasons, Nielsen suggested that around 10 per cent of a design project budget should be spent on usability, but often actual spend is significantly less.

Expert review
An analysis of an existing site or prototype by an experienced usability expert who will identify deficiencies and improvements to a site, based on their knowledge of web design principles and best practice.

Usability/user testing
Representative users are observed performing representative tasks using a system.

In practice, usability involves two key project activities. **Expert reviews** are often performed at the beginning of a redesign project as a way of identifying problems with a previous design. **Usability testing** involves:

1. identifying representative users of the site and identifying typical tasks;
2. asking them to perform specific tasks such as finding a product or completing an order;
3. observing what they do and how they succeed.

Identifying users' top tasks

You can see that the concept of user 'tasks' is common within usability. In his paper 'Serving the customer better by understanding their top tasks', McGovern (2018) explains his 'top tasks' research methodology that he has applied to improve the usability of many corporate sites by simplifying the number of options available. He explains the value of this technique in the introduction:

> It has never been more important to understand what matters most to customers. Trust is at a premium and people are sceptical, indeed, often cynical towards brands and organisations. When they visit a website or app and do not see what they want immediately, their first impulse is to hit the back button. Impatience rules. . . It is not about inventing and designing customer journeys. What is important is discovering and supporting the journeys that customers are already on.

He explains how to develop a task list using customer surveys, business needs, search analysis, website analytics of top section and competitor review. He gives an example of how voting occurs, suggesting that, typically, for a survey with 100 tasks on a website or app, the top four or five tasks get 25 per cent of the vote, the next 10–14 get the next 25 per cent, the next 20–30 get the next 25 per cent, and the remaining 50–60 get the bottom 25 per cent of the vote. He suggests that in most cases 400 voters are enough to identify and rank the top five tasks.

Exit intent survey
A usability technique to identify website or app users' task completion and satisfaction against their intended tasks.

Exit intent surveys are also often used to assess top tasks and voice-of-the-customer (VoC) website satisfaction. A sample of visitors is typically asked four questions after they have used the site to determine the gap between what they were looking for and whether they were successful. The four questions, which can be applied in a customer intent–satisfaction survey to review customer journey effectiveness, are:

1. What is the purpose of your visit to our website today?
2. Were you able to complete your task today?
3. If you were, how would you rate your satisfaction?
4. If not satisfied, why not?

Closed questions are used for 2 and 3 to assess percentage task completion and satisfaction and can be used to benchmark different services depending on where the survey is served.

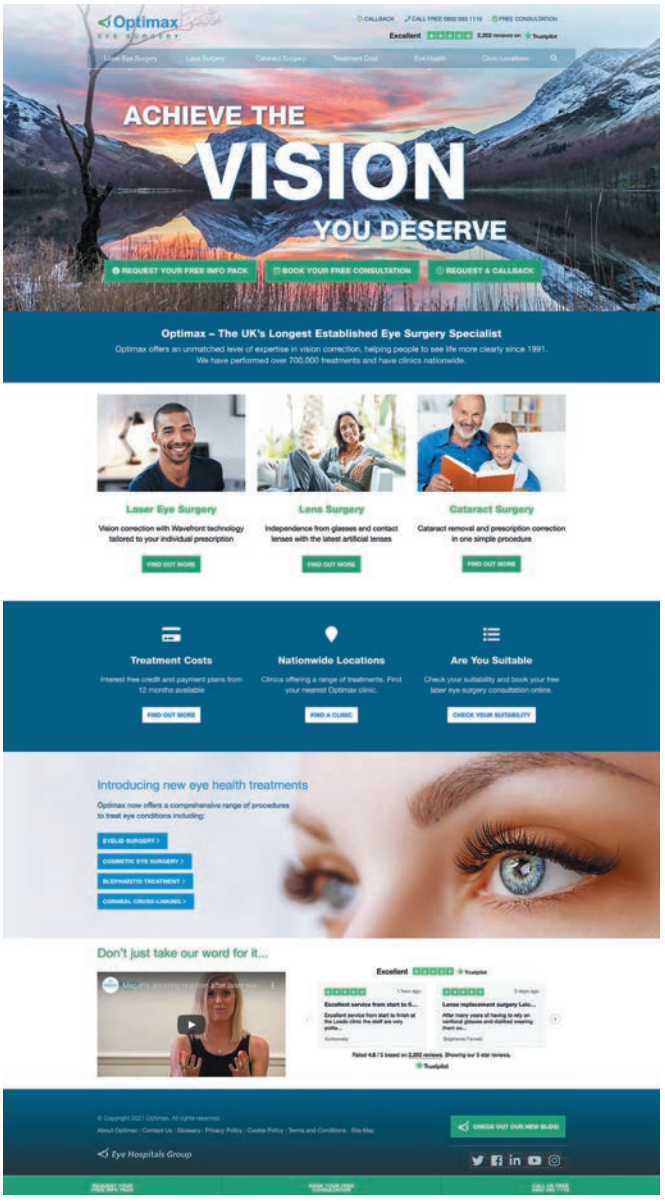
Mini case study 7.3 gives an example of how usability and persuasion marketing principles can be applied to a website to identify improvements.

Mini case study 7.3 Optimax

Optimax (**www.optimax.co.uk**) is one of the United Kingdom's largest laser eye treatment companies. The first Optimax clinic was opened in 1991 and there are now 20 locations in the United Kingdom. Its growth has been supported through its website and digital media since the content available online is a key part of the consumer decision-making process and for the company lead generation.

Figure 7.5 shows how Optimax combines persuasion, usability and accessibility within its home page to help meet business needs.

Figure 7.5 Optimax website



Source: **www.optimax.com**

These are some of the design elements used by Optimax to help it achieve its goals:

1. **Carousel area (centre top of page).** Use to deliver key brand messages and position the brand through imagery to appeal to different age groups.
2. **Customer journey highlighted (buttons below carousel).** The 'call-to-action' buttons for 'treatment costs', 'clinic locations' and 'are you suitable?' help highlight common customer concerns based on research, which will help visitors easily find answers to their questions on the 'path to purchase'.
3. **Incentivised response form (right top).** This 'lead generation form' uses multiple incentives and has a prominent position so the company can use email and phone communications to nurture interest in the product.
4. **Intro text (below the screen capture).** This helps show relevance for users, communicates key brand messages and is used for search engine optimisation to target the keyphrases 'laser eye surgery' and 'laser vision correction treatment'.
5. **Clear calls-to-action for key business outcomes.** Again, prominent at the top of the screen, these are likely to be set up as conversion goals in Google Analytics. Containers blend image and text to avoid banner blindness. These containers all highlight the site's online value proposition.
6. **Common questions answered (centre panel).** These 'points of resolution' are often hidden in FAQ, but it is interesting that Optimax highlights them on the home page. Key concerns are also highlighted in the main navigation.
7. **Prominent phone response (top right).** Vital for high-value, complex products since conversion tends to be higher via the phone channel. A unique web number can be used for tracking online influence.
8. **Social proof and testimonials.** Trustpilot is used to display testimonials from existing customers.

Digital accessibility requirements

Digital accessibility
An approach to website, app and digital device design intended to accommodate universal usability including that required by the visually impaired and users with other disabilities, including motor control, learning difficulties and deaf users. Users whose first language is not English can also be assisted.

Digital accessibility is another core requirement for websites and apps. It is about allowing all users of a website to interact with it regardless of disabilities they may have, or the web browser or platform they are using to access the site. The visually impaired are the main audience that designing an accessible website can help. However, increased usage of mobile devices also makes consideration of accessibility important.

The following quote shows the importance of accessibility to a visually impaired user who uses a screen-reader that reads out the navigation options and content on a website:

> For me being online is everything. It's my hi-fi, it's my source of income, it's my supermarket, it's my telephone. It's my way in. (Lynn Holdsworth, screen-reader user, web developer and programmer)
>
> *Source*: RNIB

Accessibility legislation
Legislation intended to protect users of websites with disabilities, including visual disability.

Remember, as we explained in Chapter 3, that many countries now have specific **accessibility legislation** to which website owners are subject. This is often contained within disability and discrimination acts enacted as law in many countries. In the United Kingdom, the relevant act is the Equality Act 2010, but in Northern Ireland the Disability and Discrimination Act 1995 still applies. Such legislation makes it unlawful to discriminate against disabled people in the way in which a company recruits and employs people, provides services or provides education. Providing services is the part of the law that applies to website design.

Guidelines for creating accessible websites are produced by the governments of different countries and non-government organisations such as charities. Internet standards organisations, such as the World Wide Web Consortium, have been active in promoting guidelines for web accessibility through the Web Accessibility Initiative (**www.w3.org/WAI**). This describes common accessibility problems, such as:

> images without alternative text; lack of alternative text for imagemap hot-spots; misleading use of structural elements on pages; uncaptioned audio or undescribed video; lack of alternative information for users who cannot access frames or scripts; tables that are difficult to decipher when linearised; or sites with poor colour contrast.

A fuller checklist for accessibility compliance for website design and coding using HTML is available from the World Wide Web Consortium (**http://www.w3.org/WAI/**).

Personalisation

As prospects and customers use business websites and apps, companies can use technology to learn a lot about their behaviours, preferences and characteristics. This includes both implicit data based on behaviour and explicit data collected through profiling forms, surveys and quizzes, either by the business or through linking to third-party data sources.

Personalisation
Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

Personalisation aims to deliver more relevant experiences through customised recommendations that improve conversion to lead or sale, or improve engagement with a brand.

Although many of us will have experienced personalisation through retail product recommendations like those from Amazon, the definition shows the relevance of personalisation to all types of businesses. For example, B2B companies that don't sell online can use personalisation to recommend relevant content to sustain prospects' interest in a business and so nurture them towards sale.

Digital personalisation-provider Monetate (2017) (since acquired by Kibo) recommends that opportunities for personalisation for a transactional e-commerce business are based on three main types of implicit data that can be captured in analytics:

- **Context.** For example, first-time or return visits, type of device, location, time of day and referral source.
- **Behaviours.** For example, content viewed, particularly viewed products and categories and items in abandoned baskets.
- **History.** Past purchases, involvement in loyalty programme and past email interactions (also behaviours).

We recommend adding a fourth, although not all personalisation systems enable integration with other data sources such as profile information:

- **Profile characteristics.** These are explicitly disclosed data captured about details such as gender, age or company data, or profile information inferred from third-party data from similar audiences related to where they live.

Mini case study 7.4 How a retail brand ran a personalisation programme to improve engagement

Figure 7.6 Jack Wills store

Source: Sorbis/Shutterstock

Jack Wills, a retail fashion company, used personalisation to boost conversion rates among new and returning customers. Mark Wright, Managing Director Digital at Jack Wills, explains the importance of personalisation to Jack Wills:

> As a leading British clothing brand, it's really important for us to provide customers with what they want, when they want it, and our online channels provide us with more opportunities to deliver personalised experiences to users.

When Wright joined the business, the fashion retailer was treating every customer the same way, with no real distinction between customer groups other than gender.

'We knew nothing about their shopping mission or how we could help them through the website shopping experience', he explains. 'Or how we could link that to show them a better suggestion of our product range.' Wright had a vision of making the website experience quicker and easier for those returning customers who shopped for their familiar core staples, such as a Jack Wills hooded jumper. 'I wanted to drive a proper test and learn mentality, how we can push the boundaries and understand customer behaviour. That's what personalisation is really all about, how we can inspire the customer.'

The results Jack Wills have seen since running their personalisation programme are:

- 12 per cent increase in conversion rates;
- 8 per cent increase in add-to-basket;
- reduced basket abandonment.

Using Monetate, personalisation software for consumer-facing brands, not only has Jack Wills increased its conversion rates, it has also reduced its basket abandonment. Monetate is used for personalisation on all of its websites in the United Kingdom, Europe, the United States and Hong Kong.

Through using personalisation, new customers to the online store are shown product category pages with 'bestseller' products, while returning customers are shown 'new arrivals' on the same pages. This is because extensive testing proved that existing customers are more interested in discovering new products.

To achieve this, Jack Wills now places a cookie on the website for a new customer, and a returning shopper is defined as being male or female and given a specific gendered landing page. Every couple of months this is refreshed to ensure the retailer isn't making too many assumptions and this strategy is dropped altogether at Christmas when many customers are visiting the website to buy gifts.

By providing a personalised experience to segmented customer groups, new customer conversions increased by 12 per cent and there was also an 8-per-cent increase in add-to-basket. Another enhancement to help user experience was sticky left-hand navigation filters that were added to remain visible while the user kept scrolling down the site page. This encourages users to engage and interact with searches and different products until they find the right item of clothing they like, without abandoning the page altogether. This increased conversions, with a 10-per-cent uplift and decreased basket abandonment.

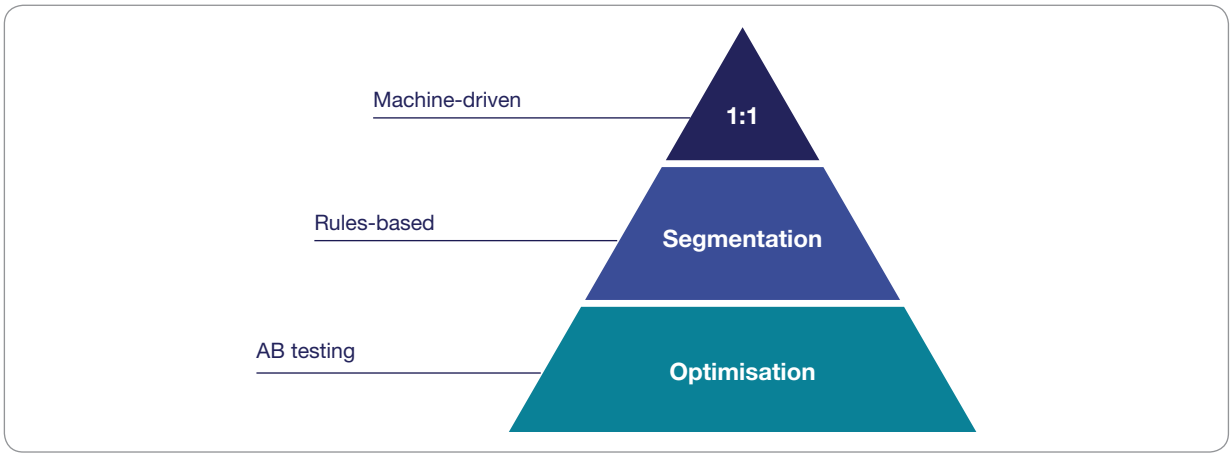
Jack Wills' next step in delivering personalisation will focus on search filters that increase engagement on mobile – a device that is becoming increasingly popular when searching the web. It is reported that users typically spend 12 per cent more on mobile than desktop.

Sources: Monetate (2016) and Baldwin (2017)

As we explained in Chapter 4, it's now a legal requirement in most countries to disclose how personal data will be used for personalisation according to data protection and privacy law. Monetate (2017) has distinguished between three different levels of personalisation in their 'pyramid of personalisation' (Figure 7.7), which is useful when businesses are reviewing their capabilities. These levels are:

1. **Optimisation using AB testing.** This technique is used as part of conversion-rate optimisation to identify which page elements and variations are important to increasing conversion. It isn't typically personalisation based on data collected, but involves serving different content to some groups of users compared to a control.

Figure 7.7 Personalisation pyramid for websites



Source: Monetate

2 **Segmentation using rules-based targeting.** Here rules are set up in a personalisation system to serve different content to different audience groups based on the four types of implicit data mentioned previously. For example, first-time visitors can be served a different message to repeat visitors, or a 'next-best product' can be recommended to a previous purchaser.
3 **1:1 Personalisation.** This approach goes beyond predefined rules to use machine learning or predictive analytics to serve the most relevant messages to an individual, based on all the known profile information and how others similar in their characteristics have responded in the past.

Localisation and cultural customisation

One in three, one in five, one in seven? Do you know what proportion of our global population speaks English as their primary language? In fact, it's one in seven, meaning that this leaves six billion people worldwide who don't. This simple fact alone shows the potential of translation, both in serving new international audiences and reaching non-English speakers in majority English-speaking markets (nearly 20 per cent of the US population are Hispanic and Latino). At the same time, many businesses that originated in a non-English speaking country have the opportunity to reach English speakers in other countries.

A further aspect of customer-centricity for website design is the decision whether to include specific content for particular countries. This is referred to as **localisation**.

Localisation
Tailoring of website information for individual countries or regions. Localisation can include simple translation, but also cultural adaptation.

A site may need to support customers from a range of countries with:

- different product needs;
- language differences;
- cultural differences – this approach is also referred to as 'cultural adaptation'.

Localisation will address all these issues. It may be that products will be similar in different countries and localisation will simply involve converting the website to suit another country. However, in order to be effective this often needs more than translation, since different promotion concepts may be needed for different countries. Note that each company prioritises different countries according to the size of the market, and this priority then governs the amount of work it puts into localisation.

Singh and Pereira (2005) provide an evaluation framework for the level of localisation:

- **Standardised websites (not localised).** A single site serves all customer segments (domestic and international).

- **Semi-localised websites.** A single site serves all customers; however, contact information about foreign subsidiaries is available for international customers. Many sites fall into this category.
- **Localised websites.** Country-specific websites with language translation for international customers, wherever relevant. 3M (**www.3m.com**) has adapted its websites for many countries to local-language versions. It initially focused on the major websites.
- **Highly localised websites.** Country-specific websites with language translation; they also include other localisation efforts in terms of time, date, postcode, currency formats, etc.
- **Culturally customised websites.** Websites reflecting complete 'immersion' in the culture of target customer segments; as such, targeting a particular country may mean providing multiple websites for that country depending on the dominant cultures present. Durex (**www.durex.com**) is a good example of a culturally customised website.

The imperative for improving translation is clear from the demand of non-English speakers around the world. At the same time, today's businesses are continuously creating more content, in more systems, in more languages, and with more rapid development cycles.

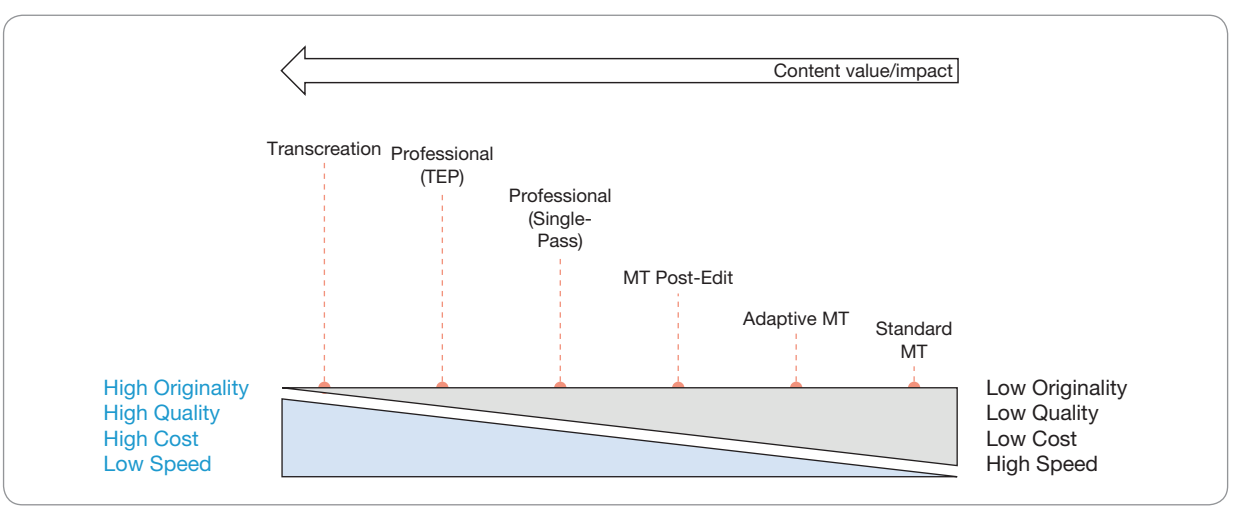
Deciding on the degree of localisation is a difficult challenge for managers, since while it has been established that local preferences are significant, it is often difficult to balance localisation costs against the likely increase or conversion rate through localisation.

Different international markets will vary in scale and product revenue, so a 'one size fits all' model of translation will not be cost effective for most businesses. Instead, a localisation strategy is about prioritising what types of content to translate and which translation methods to use to get the business outcomes needed most cost-effectively.

These are five core translation techniques businesses have to prioritise for different content types. They are summarised in Figure 7.8 in terms of how they compare in terms of quality, speed and cost. Options to the left tend to be higher quality, higher cost and lower speed. The techniques listed in order of decreasing cost are:

1. **Transcreation.** This is one-part creative copywriting and one-part traditional translation. Practitioners still transfer a message from one language to another, but they have more freedom to modify the details along the way. As a result, the final product usually looks more like a creative interpretation than an exact replication of its source content.
2. **Professional translation.** This is the model most people picture when they first consider translating a business website. Customers send their source content to translation agencies or freelance professionals, and expert linguists produce the most accurate adaptation

Figure 7.8 The continuum of translation types



Source: Chaffey (2017)

possible. In many cases, businesses will also elect to have an editor and proofreader review the translator's work. This quality-conscious workflow is commonly known as TEP (translate-edit-proofread), and it has become the default strategy for customers who prioritise precise communication over affordability or speed.

3. **Machine translation.** Computers will never fully replicate the endless subtleties of human communication, but they're certainly making progress. Statistical models, rule-based systems and neural networks are generating vast reserves of artificial intelligence that customers can leverage to produce credible linguistic translations without any human intervention. No other translation type can rival the speed of this automated approach. And machine translation (MT) engines offer dramatic cost savings over human professionals. But, computers are not known for their creativity. And despite the promise of future improvements, MT cannot consistently match the quality of human professionals.
4. **Machine translation post-editing.** If machine translation is the automated counterpart to single-pass professional translation, then machine translation post-editing is the computer-aided cousin of professional TEP. An MT engine takes the place of a human translator, but human reviewers are still there to elevate its output to a more acceptable standard of quality.
5. **Adaptive machine translation.** What would happen if humans and machines acted less like rivals and more like complementary partners? Well, adaptive MT is one of several innovative ideas currently pushing the translation industry in that direction. Adaptive MT engines study the linguistic decisions of human translators and post-editors, continuously learning correct terminology that can be used in their next MT output. As a result, each new translation request assigned to the MT engine is completed with a progressively higher standard of proficiency.

Hreflang attribute
Specifies the intended country and language (in ISO 639-1 format) for web content to search engines, for example de: German language content, independent of region; en-GB: English language content, for GB users; and de-ES: German language content, for users in Spain.

Table 7.2 summarises how these different translation options compare based on resource constraints.

A further aspect of localisation to be considered is search engine optimisation (see Chapter 9), since sites that have local-language versions tend to be listed more prominently within the search engine results pages for local versions of the search engines. Google has specified an **hreflang attribute** for HTML pages so that companies can inform Google which country and language a page is targeting.

Reviewing competitors' websites

Benchmarking of competitors' websites is useful to position a website to compete effectively with its rivals. Given the importance of this activity, criteria for performing benchmarking have been described in Chapters 2 and 4.

Table 7.2 Scalable translation drivers and challenges

Opportunity: scalable translation drivers	Challenges of scalable translation
Reduced time to market enabling more selling time for new markets and new products	Prioritising translation for greatest impact
Higher conversion rates via more persuasive and compelling localised messaging	Achieving cost and efficiency savings
Demand generation through organic search and content marketing	Maintaining precision and minimising copy-and-paste mistakes
Increased smartphone adoption worldwide	Measuring and reporting translation effectiveness
Automated workflows reduce time spent on managing localisation	Updating content sufficiently and quickly

Benchmarking should not only be based on the obvious tangible features of a website, such as its ease of use and the impact of its design. Benchmarking criteria (see Table 2.3) should include those that define the companies' marketing performance in the industry and those that are specific to digital marketing, as follows:

- **Reach and visibility.** How do visitor levels compare for different channels including search marketing based on rankings for target keywords (using tools recommended in Table 2.1)?
- **Conversion efficiency.** Sites can be compared to published results of average conversion rates (see, for example, **SmartInsights.com**).
- **Marketplace performance.** Market share and sales trends and, significantly, the proportion of sales achieved online. This may not be available directly on the website, but may need the use of other online sources.
- **Business and revenue models** (see Chapter 1). Do these differ from other marketplace players?
- **Marketplace positioning.** The elements of the marketing mix covered in Chapter 5, including product, pricing and place.
- **Marketing communications techniques.** Is the customer value proposition of the site clear? Does the site support all stages of the buying decision from customers who are unfamiliar with the company through to existing customers? Are special promotions used on a monthly or periodic basis? Beyond the competitor's site, how do they promote their site? How do they make thorough use of intermediary sites to promote and deliver their services?
- **Services offered.** What online services are offered beyond content? Is online purchase possible? What is the level of online customer support and how much technical information is available?
- **Implementation of services.** These are the practical features of site design that are described in this chapter, such as aesthetics, ease of use, personalisation, navigation, availability and speed.

A review of corporate websites suggests that, for most companies, the type of information that can be included on a website will be fairly similar. Many commentators make the point that some sites miss out the basic information that someone who is unfamiliar with a company may want to know, such as:

- *Who are you?* 'About Us' is now a standard menu option.
- *What do you do?* What products or services are available?
- *Where do you do it?* Are the products and services available internationally?
- *What makes you different?* Why should I use your site/services compared to your competitors'? This includes communicating the online value proposition (OVP) (see Chapter 4).

Designing the information architecture

Information architecture
The combination of organisation, labelling and navigation schemes constituting an information system.

Rosenfeld and Morville (2002) emphasised the importance of **information architecture** to an effective website design. They said:

> It is important to recognise that every information system, be it a book or an intranet, has an information architecture. 'Well developed' is the key here, as most sites don't have a planned information architecture at all. They are analogous to buildings that weren't architected in advance. Design decisions reflect the personal biases of designers, the space doesn't scale over time, technologies drive the design and not the other way around.

In their book, which is still the basis for good practice in web design, Rosenfeld and Morville (2002) give these alternative definitions of information architecture:

1. the combination of organisation, labelling and navigation schemes within an information system;
2. the structural design of an information space to facilitate task completion and intuitive access to content;
3. the art and science of structuring and classifying websites and intranets to help people find and manage information;
4. an emerging discipline and community of practice focused on bringing principles of design and architecture to the digital landscape.

In practice, information architecture involves creating a plan to group information logically – it involves creating a site structure that is often represented as a **site map**. A well-developed information architecture is very important to usability since it determines navigation options and **findability** (Morville, 2005).

Site map
A graphical or text depiction of the relationship between different groups of content on a website.

Findability
An assessment of how easy it is for a web user to locate a single content object or to use browse navigation and search system to find content. Like usability it is assessed through efficiency – how long it takes to find the content, and effectiveness – how satisfied the user is with the experience and relevance of the content they find.

A planned information architecture is essential to large-scale websites such as transactional e-commerce sites, media owner sites and relationship-building sites that include a large volume of product or support documentation. Information architectures are less important to small-scale websites and brand sites, but even here the principles can be readily applied and can help make the site more visible to search engines and more usable. It is also important for search engine optimisation (Chapter 9), since it determines how different types of content that users may search for are labelled and grouped.

There are a number of benefits in creating an information architecture:

- A defined structure and categorisation of information will support user and organisation goals, i.e. it is a vital aspect of usability.
- It helps increase 'flow' on the site – a user's mental model of where to find content should mirror that of the content on the website.
- Search engine optimisation – a higher listing in the search rankings can often be used through organising and labelling information in a structured way.
- Applicable for integrating offline communications – offline communications such as ads or direct mail can link to a product or campaign landing page to help achieve direct response, sometimes known as 'web response'. A sound URL strategy (as explained in Chapter 8) can help this.
- Related content can be grouped to measure the effectiveness of a website as part of design for analysis.

Card sorting

Card sorting is a way in which users can become actively involved in the development process of information architecture.

Card sorting is a useful approach, since websites are frequently designed from the perspective of the designer rather than the information user, leading to labels, subject grouping and categories that are not intuitive to the user. **Card sorting or web classification** should categorise web objects (e.g. documents) in order to facilitate information task completion or information goals the user has set.

Card sorting or web classification
The process of arranging a way of organising objects on the website in a consistent manner.

Robertson (2003) explains an approach to card sorting that identifies the following questions when using the technique to aid the process of modelling web classification systems:

- Do the users want to see the information grouped by subject, task, business or customer groupings, or type of information?
- What are the most important items to put on the main menu?

- How many menu items should there be, and how deep should it go?
- How similar or different are the needs of the users throughout the organisation?

Selected groups of users or representatives will be given index cards with the following written on them, depending on the aim of the card sorting process:

- types of documents;
- organisational keywords and concepts;
- document titles;
- descriptions of documents;
- navigation labels.

The user groups may then be asked to:

- group together cards that they feel relate to each other;
- select cards that accurately reflect a given topic or area;
- organise cards in terms of hierarchy – high-level terms (broad) to low-level terms.

At the end of the session the analyst must take the cards away and map the results into a spreadsheet to find out the most popular terms, descriptions and relationships. If two or more different groups are used, the results should be compared and reasons for differences should be analysed.

Blueprint
Shows the relationships between pages and other content components, and can be used to portray organisation, navigation and labelling systems.

Wireframe
Also known as a 'schematic', a way of illustrating the layout of an individual web page.

Site design template(s)
A standard page layout format that is applied to each page of a website for particular page types, e.g. category pages, product or blog pages. Also known as themes, where they can be purchased at low cost, e.g. for WordPress sites.

Cascading style sheets (CSS)
A mechanism for adding style (e.g. fonts, backgrounds, colours, spacing) to web documents, which is independent of the content. CSS enable different style elements to be controlled across an entire site or sections of a site. Style elements that are commonly controlled include typography, background colour and images, and borders and margins. Responsive website design (RWD) for desktop and mobile can also be supported.

Blueprints

According to Rosenfeld and Morville (2002), **blueprints**:

> show the relationships between pages and other content components, and can be used to portray organisation, navigation and labelling systems.

They are often thought of, and referred to, as 'site maps' or 'site structure diagrams' and have much in common with these, except that they are used as a design device clearly showing groupings of information and linkages between pages, rather than a page on the website to assist navigation.

Refer to Figure 7.9 for an example of a site structure diagram for a toy manufacturer website, which shows the groupings of content and also an indication of the process of task completion.

Wireframes

A related technique to blueprints is the **wireframes** that are used by web designers to indicate the eventual layout of a web page. They can also be readily used by students to suggest top-level changes to websites as part of assignments. Figure 7.10 shows that the wireframe is so called because it consists of just an outline of the page with the 'wires' of content separating different areas of content or navigation shown by white space.

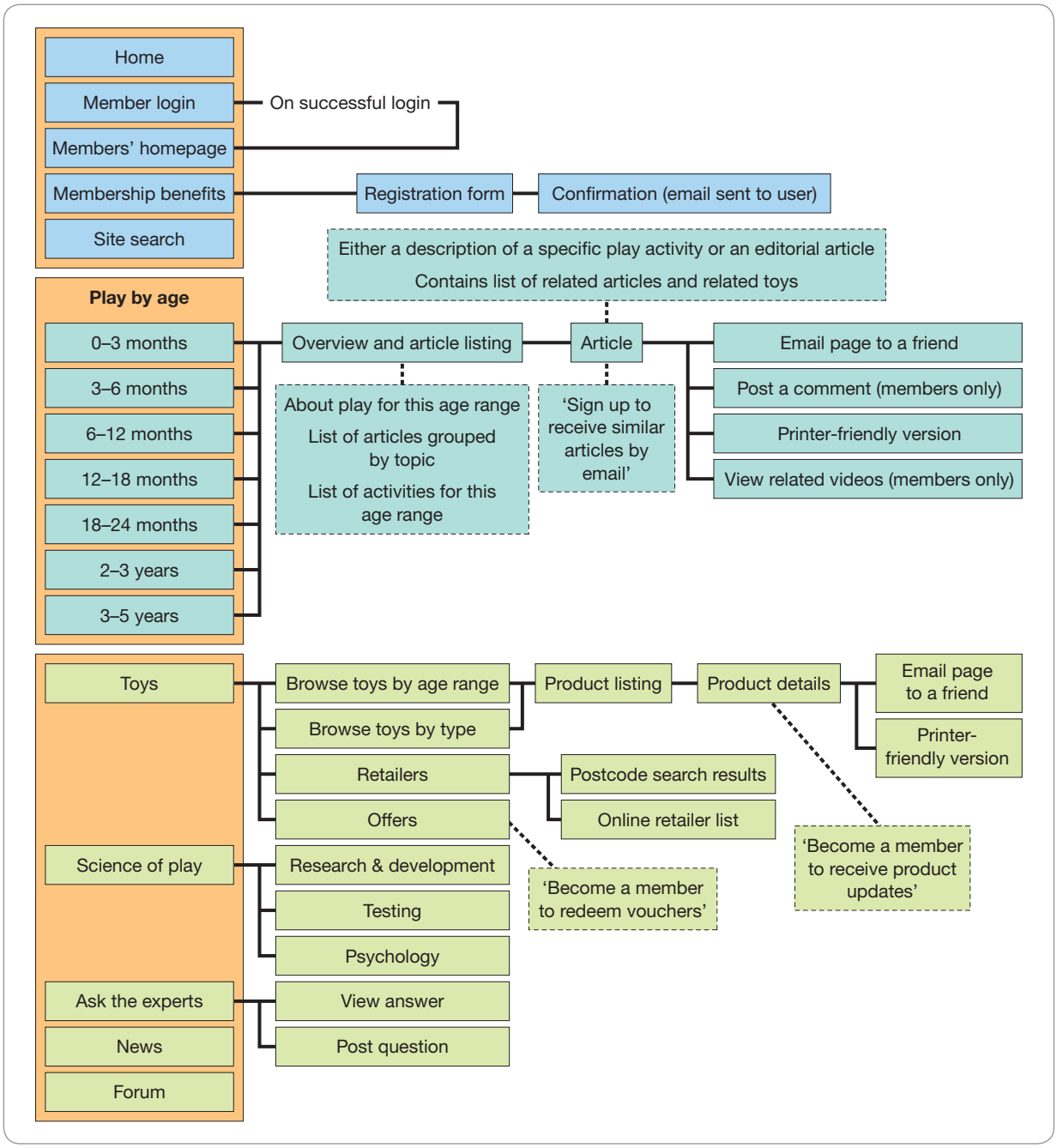
Wodtke (2002) describes a wireframe (sometimes known as a 'schematic') as:

> a basic outline of an individual page, drawn to indicate the elements of a page, their relationships and their relative importance.

A wireframe will be created for all types of similar page groups, identified at the blueprint (site map) stage of creating the information architecture.

Wireframes are then transformed into physical **site design templates**, which are now traditionally created using standardised **cascading style sheets (CSS)** that enable a standard look and feel to be enforced across different sections of the site.

Figure 7.9 Site structure diagram (blueprint) showing layout and relationships between pages



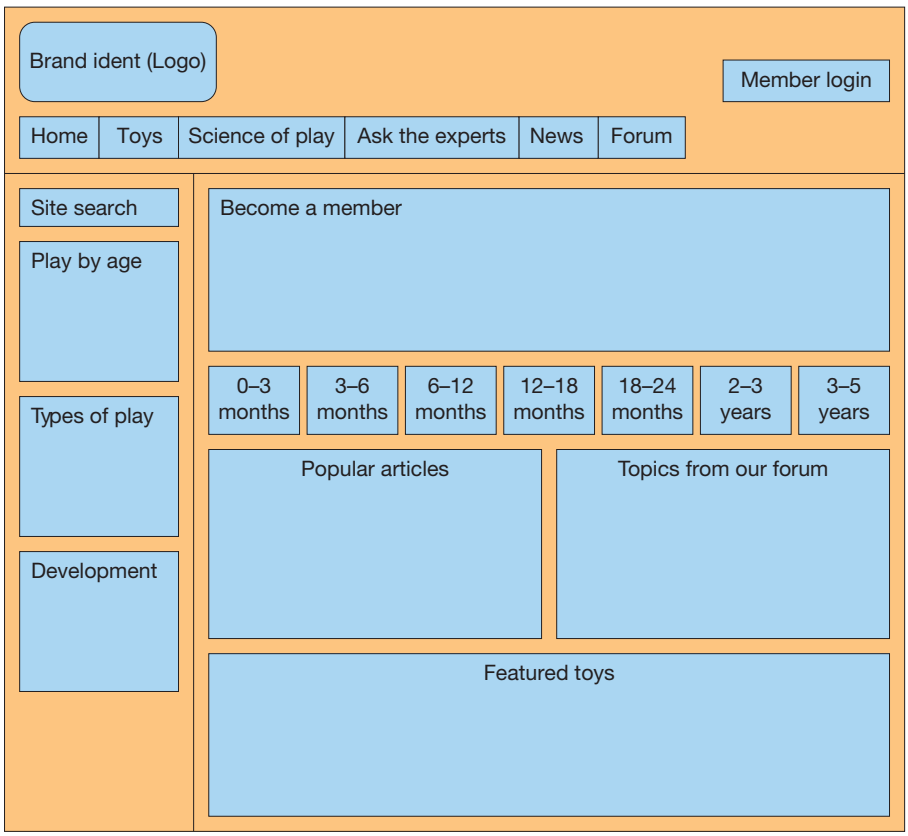
The standards body W3C (**www.w3.org**) defines cascading style sheets as:

> a simple mechanism for adding style (e.g. fonts, colours, spacing) to Web documents.

CSS enable different style elements to be controlled across an entire site or section of site. Style elements that are commonly controlled include:

- typography;
- background colour and images;
- borders and margins.

Figure 7.10 Example of a wireframe for a children's toy site



For example, CSS will use this syntax to enforce the standard appearance of body copy on a site:

```
body {
        margin:0;
        padding:0;
        colour:#666666;
        background-colour:#f3f3f3;
        font-family: Arial, 'Trebuchet MS', Verdana;
        font-size: 70%;

        background-repeat:repeat-x;
        background-position:top;
        }
```

The benefits of CSS are:

- **Bandwidth.** Pages download faster after initial page load since style definitions only need to be downloaded once as a separate file, not for each page.
- **More efficient development.** Through agreeing site style and implementing in CSS as part of page templates, it is more efficient to design a site.
- **Reduces updating and maintenance time.** Presentational markup is stored in one place separate from the content, making it quicker to update the site globally with less scope for errors.
- **Increased interoperability.** By adhering to W3C recommendations, it helps with the support of multiple browsers.

- **Increases accessibility.** Users can more readily configure the way a site looks or sounds using browsers and other accessibility support tools. The site is more likely to render on a range of access platforms such as smartphones and tablets.

To understand the power of using CSS to separate site content from design, visit CSS Zen Garden (**www.csszengarden.com**), which shows how CSS can be used to separate content from how it is presented. You can select different designs to see how the new design changes radically as different styles are applied.

Landing pages

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

Deciding on the page template design for different forms of **landing pages** is particularly important for site owners seeking to maximise conversion rate, since many first-time visitors don't arrive on the home page, they arrive deeper in the site from search engines or links from other sites. Chaffey and Smith (2017) suggest the following are typical aims and corresponding questions to consider for increasing landing page conversion rates:

- **Aim 1 – Generate response (online lead or sale and offline call-back).** Does the page have a prominent call to action, such as a prominent button above the fold; and repeated in text and image form?
- **Aim 2 – Engage different audience types (reduce bounce rate, increase value events, increase return rate).** Does the page have a prominent headline and subheads showing the visitor is in the right place? Does the page have scent-trail trigger messages, offers or images to appeal to different audiences? For example, Dell has links on its site to appeal to consumers and different types of businesses. A landing page containing form fields to fill in is often more effective than an additional click, since it starts committed visitors on their journey.
- **Aim 3 – Communicate key brand messages (increase brand familiarity and favourability).** Does the page clearly explain who you are, what you do, where you operate and what makes you different? Is your online value proposition compelling? Do you use customer testimonials or ratings to show independent credibility? To help with this, use run-of-site messages (on all pages) across the top of the screen or in the left or right sidebars.
- **Aim 4 – Answer the visitor's questions (reduce bounce rates, increase conversion rates).** Different audiences will want to know different things. Have you identified personas (Chapter 2) and do you seek to answer their questions? Do you use FAQ or messages that say 'New to company'?
- **Aim 5 – Showcase range of offers (cross-sell).** Do you have recommendations on related or best-selling products and do you show the full range of your offering through navigation?
- **Aim 6 – Attract visitors through search engine optimisation (SEO).** How well do you rank for relevant search terms compared to competitors? Do your navigation, copy and page templates indicate relevance to search engines through on-page optimisation?

Blueprints illustrate how the content of a website is related and navigated, while a wireframe focuses on individual pages; with a wireframe the navigation focus becomes where it will be placed on the page. Wireframes are useful for agencies and clients to discuss the way a website will be laid out without getting distracted by colour, style or messaging issues, which should be covered separately as a creative planning activity.

Storyboarding
The use of static drawings or screenshots of the different parts of a website to review the design concept with user groups. It can be used to develop the structure – an overall 'map' with individual pages shown separately.

The process of reviewing wireframes is sometimes referred to as **storyboarding**, although the term is often applied to reviewing creative ideas rather than formal design alternatives. Early designs are drawn on large pieces of paper, or mock-ups are produced using a drawing or paint program.

At the wireframe stage, emphasis is not placed on use of colour or graphics, which will be developed in conjunction with branding or marketing teams and graphic designers and integrated into the site after the wireframe process.

According to Chaffey and White (2010), the aim of a wireframe will be to:

- integrate consistently available components on the web page (e.g. navigation, search boxes);
- order and group key types of components together;
- develop a design that will focus the user onto core messages and content;
- make correct use of white space to structure the page;
- develop a page structure that can be easily reused by other web designers.

Common wireframe or template features you may encounter are:

- navigation in columns on left or right and at top or bottom;
- header areas and footer areas;
- containers, 'slots' or 'portlets' – these are areas of content such as an article or list of articles placed in boxes on the screen; often slots will be dynamically populated from a content management system;
- containers on the homepage may be used to:
  - summarise the online value proposition;
  - show promotions;
  - recommend related products;
  - feature news, etc.;
  - contain ads.

Designing the user experience

Design phase
The design phase defines how the site will work in the key areas of website structure, navigation and security.

Once analysis has determined the business and user needs for a site, the site can be designed. The **design phase** is critical to a successful website or app since it will determine the quality of experience users have of a site; if they have a good experience they will return, if not they will not! A 'good experience' is determined by a number of factors such as those that affect how easy it is to find information – for example, the structure of the site, menu choices and searching facilities. It is also affected by less tangible factors such as the graphical design and layout of the site.

As mentioned at the start of the chapter, design is not solely a paper-based exercise, but needs to be integrated into the prototyping process. The design should be tested by review with the client and customer to ensure it is appropriate. Since the main reason given for returning to a website is high-quality content, and content affects conversion too, it is important to determine, through analysis, that the content is correct. However, the quality of content is determined by more than the text copy. It is important to achieve high-quality content through design. Nigel Bevan (1999a) says:

> Unless a website meets the needs of the intended users it will not meet the needs of the organisation providing the website. Website development should be user-centred, evaluating the evolving design against user requirements.

User-centred design
Design based on optimising the user experience according to all factors, including the user interface, that affect this.

How can this customer-oriented or user-centred content be achieved? **User-centred design** starts with understanding the nature and variation within the user groups. According to Bevan (1999a), key issues to consider that are still fundamental for digital experiences, whether desktop or mobile site, app or social network company page, include:

- Who are the important users?
- What is their purpose for accessing the site?
- How frequently will they visit the site?
- What experience and expertise do they have?
- What nationality are they? Can they read your language?
- What type of information are they looking for?

- How will they want to use the information: read it on the screen, print it or download it?
- What types of browsers will they use? How fast will their communication links be?
- How large a screen or window will they use, with how many colours?

Rosenfeld and Morville (2002) suggest four stages of site design that also have a user-centred basis:

1. Identify different audiences.
2. Rank importance of each to the business.
3. List the three most important information needs of audience.
4. Ask representatives of each audience type to develop their own wish lists.

We noted in Chapter 2 that customer persona analysis is a powerful technique of understanding different audiences, which can be used to inform and test website design that looks at additional factors to those in the lists above, such as device usage, location and context of usage, and integration with other online services including social media.

Elements of digital experience design

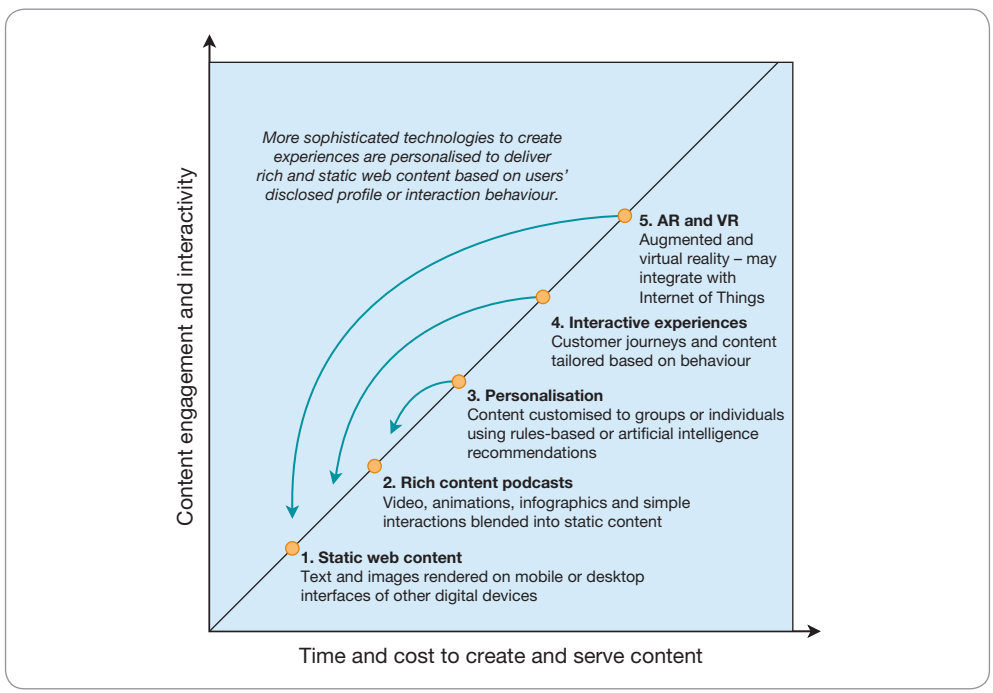
Once the requirements of the user and marketer are established, we turn our attention to the design of the human–computer interface. Nielsen (2000) structured his book on web usability according to three main areas, which can be interpreted as follows:

1. **Site design and structure** – the overall structure of the site.
2. **Page design** – the layout of individual pages.
3. **Content design** – how the text and graphic content on each page is designed.

There is also the additional area of branding and messaging, which is a key part of persuasion, as explained earlier in this chapter.

Digital technology has evolved to give more opportunities for designers to build in interactivity to help make the experiences they create more engaging. Figure 7.11 shows the continuum between static website designs and more interactive experiences. It illustrates the

Figure 7.11 The continuum of sophistication in digital experiences



trade-off between building more engaging, interactive sites and the time and costs of creating them. Brinker (2014) uses a similar format for explaining the evolution of content marketing to become more interactive. There are also constraints in that more sophisticated experiences take longer to learn, take longer to engage the users or require more sophisticated hardware.

In this section we consider success factors for creating websites and mobile apps with static and rich web content. We then go on to consider the options for creating more personalised and interactive experiences such as augmented and virtual reality.

Site design and structure

The structures created by designers for websites will vary greatly according to their audience and the site's purpose, but we can make some general observations about common approaches to site design and structure and their influence on consumers. These are often known as 'best-practice principles of website design' and in this section we will summarise some of the main factors. Of course, there are exceptions to such rules of thumb or 'heuristics', but often a design approach that works on one type of site will work on another, particularly if it is a common feature across the majority of sites.

Rosen and Purinton (2004) assessed the design factors that influence a consumer (based on questionnaires completed by a group of students). They believe there are some basic factors that determine the effectiveness of an e-commerce site. They group these factors as follows:

- **Coherence:** simplicity of design, easy to read, use of categories (for browsing products or topics), absence of information overload, adequate font size, uncrowded presentation.
- **Complexity:** different categories of text.
- **Legibility:** use of 'mini home page' on every subsequent page, same menu on every page, site map.

You can see that these authors suggest that simplicity in design is important. Another example of research into website design factors supports the importance of design. Fogg *et al.* (2003) asked students to review sites to assess the credibility of different suppliers based on the website design. They considered these factors most important:

Design look	46.1%
Information design/structure	28.5%
Information focus	25.1%
Company motive	15.5%
Usefulness of information	14.8%
Accuracy of information	14.3%
Name recognition and reputation	14.1%
Advertising	13.8%
Bias of information	11.6%
Tone of the writing	9.0%
Identity of site sponsor	8.8%
Functionality of site	8.6%
Customer service	6.4%
Past experience with site	4.6%
Information clarity	3.7%
Performance on a test	3.6%
Readability	3.6%
Affiliations	3.4%

This research is retained in this edition since it summarises different 'evergreen' factors that remain relevant today and highlights the importance of visual and information design. Consider what may be missing. The importance of different forms of peer-to-peer community interactions or security are two issues that aren't mentioned.

In the following coverage, we will review the general factors that designers consider when designing the style, organisation and navigation schemes for the site.

Site navigation schemes

Site navigation scheme
Tools provided to the user to move between different information on a website.

Flow
Describes how easy it is for users of a site to move between the different pages of content of the site.

Devising a site that is easy to use is critically dependent on the design of the **site navigation scheme**. Hoffman and Novak (1997) and many subsequent studies (e.g. Rettie, 2001; Smith and Sivakumar, 2004) have stressed the importance of the concept of **flow** in governing site usability. The concept of 'flow' was first brought to prominence by Mihaly Csikszentmihalyi, a psychology professor at the University of Chicago. In his book, *Flow: The Psychology of Optimal Experience* (1990), he explains his theory that people are most happy when they are in a state of flow – a Zen-like state of total oneness with the activity at hand. Research into the relationship between flow and usability has subsequently been extended to be assessed in mobile apps (e.g. Nayebi *et al.*, 2012) and virtual reality (Fang and Huang, 2021).

In an online marketing context, 'flow' essentially describes how easy it is for users to find the information or experiences they need as they move from one page of the site to the next, but it also includes other interactions such as filling in on-screen forms. Rettie (2001) has suggested that the quality of navigation is one of the prerequisites for flow.

It can be suggested that there are three important aspects within a site or app that is easy to navigate. These are:

- **Consistency.** A site will be easier to navigate if the user is presented with a consistent user interface when viewing the different parts of the site. For example, if the menu options in the support section of the site are on the left side of the screen, then they should also be on the left when the user moves to the 'news section' of the site.
- **Simplicity.** Sites are easier to navigate if there are a limited number of options. It is usually suggested that two or possibly three levels of menu are the most that are desirable. For example, there may be main menu options at the left of the screen that take the user to the different parts of the site, and at the bottom of the screen there will be specific menu options that refer to that part of the site (menus in this form are often referred to as 'nested').
- **Context.** Context is the use of 'signposts' to indicate to users where they are located within the site – in other words, to reassure users that they are not 'lost'. To help with this, the website designer should use particular text or colour to indicate to users which part of the site they are currently using. Context can be provided by the use of JavaScript 'rollovers', where the colour of the menu option changes when the user positions the mouse over the menu option, and then changes again when the menu option is selected. Many sites used to have a site map option that showed the layout and content of the whole site so the user could understand its structure. Modern sites often use large, interactive mega-menus and footer menus meaning that it is now less common for businesses to include a site map.

These three requirements for navigation need to be delivered across both smartphone and larger devices with responsive web design (RWD) supporting menus accessed on smartphones by the familiar 'hamburger menu icon' consisting of three horizontal lines.

Deep linking
Jakob Nielsen's term for a user arriving at a site deep within its structure.

Nielsen (2000) pointed out what many people designing sites still forget – that many users will not arrive on the home page, but may be referred from another site or according to a print or TV advert to a particular page. He calls this process **deep linking** and site designers should ensure that navigation and context are appropriate for users arriving on these pages.

As well as compromises on depth of links within a site, it is also necessary to compromise on the amount of space devoted to menus. Nielsen (1999) points out that some sites devote so much space to navigation bars that the space available for content is limited. Nielsen suggests that the designer of navigation systems should consider the following information that a site user wants to know:

- *Where am I?* The user needs to know where they are on the site and this can be indicated by highlighting the current location and clear titling of pages. This can be considered as *context*. *Consistency* of menu locations on different pages is also required to aid cognition. Users also need to know where they are on the web. This can be indicated by a logo, which by convention is at the top or top-left of a site.
- *Where have I been?* This is difficult to indicate on a site, but for task-oriented activities such as purchasing a product it can show the user that they are at the *n*th stage of an operation, such as making a purchase.
- *Where do I want to go?* This is the main navigation system, which gives options for future operations.

To answer these questions, clear succinct labelling is required. Widely used standards such as Home, Main page, Search, Find, Browse, FAQ, Help and About us are preferable.

Since using the navigation system may not enable the user to find the information they want rapidly, alternatives have to be provided by the site designers. These alternatives include Search, Advanced search, Browse and Site map (a simplified site map in the footer is common today).

Menu options

Designing and creating the menus to support navigation presents several options. A combination of text-based menus, graphical buttons or images is usually preferred in modern sites to meet the requirements of accessibility, persuasion, SEO and usability. Most large retail sites now use 'mega-menus', where there are a wide range of products and promotions to communicate.

Page design

The page design involves creating an appropriate layout of page elements to meet the goals of findability and usability. The main elements of a particular page layout are the title, navigation and content. Standard content, such as copyright information, may be added to every page as a footer. Common page templates will be created for pages that share similar characteristics, such as home page, category/sub-category page, product page, search results page and checkout pages for a retail site. Through use of common templates, improvements can be implemented more efficiently.

Issues in page design include:

- **Page elements.** We have to consider the proportion of a page devoted to content compared to all other material such as headers, footers and navigation elements. The location of these elements also needs to be considered. It is conventional for the main menu to be at the top or on the left. The use of a menu system at the top of the browser window allows more space for content below.
- **Resizing.** A good page layout design should allow for the user to change the size of text or work with different monitor resolutions.
- **Consistency.** Page layout should be similar for all areas of the site unless more space is required – for example for a discussion forum or product demonstration. Standards of colour and typography can be enforced through cascading style sheets.
- **Printing.** Layout should allow for printing or provide an alternative printing format.

Site style

An effective website design will have a style that is communicated through use of colour, images, typography and layout. This should support the way a product is positioned or its brand.

When sites are first designed or restyled this should be based on research to ensure the style resonates with the audience. Designers should use appropriate complementary colours based on colour theory for website design, including colour wheels and the psychological associations of colour (e.g. Khazanova, 2020).

Site personality

The style elements can be combined to develop a personality for a site. We could describe a site's personality in the same way we can describe people, such as 'formal' or 'fun'. This personality has to be consistent with the needs of the target audience. A business audience often requires detailed information and prefers an information-intensive style, such as that of the Cisco™ site (**www.cisco.com**). A consumer site is usually more graphically intensive. Before the designers pass on their creative designs to developers, they also need to consider the constraints on the user experience, such as screen resolution and colour depth, browser used and download speed.

Visual design constraints

Despite modern browsers and broadband access, graphic design of websites still represents a challenge since designers of websites are severely constrained by a number of factors:

- **The speed to download graphics:** designers still need to consider technical solutions to increase page download speed, as we explained earlier in the chapter.
- **The screen resolution of the computer:** designing to target different screen resolutions is particularly important today with the range of resolutions from smartphone to tablet to desktop. Common resolutions indicated by website analytics data should inform the testing of different target resolutions.
- **The number of colours on screen:** the colour palettes available on web browsers.
- **The type of web browser used:** different browsers, such as Google Chrome, Microsoft Edge™ and Apple Safari™, and different versions of browsers may display graphics or text slightly differently or may support different plug-ins.
- **Different access devices:** with the increase in popularity of mobile and tablet browsers it has become very important to support users of these sites using techniques that we will consider in the next section.

As a result of these constraints, the design of websites is a constant compromise between what looks visually appealing and modern on the most advanced hardware platforms and highest-speed network connections and what works for other systems. This is referred to as the 'lowest common denominator problem', since this is what the designer has traditionally had to do – design for the old browsers, using slower internet access and lower screen resolutions.

Mobile design requirements and techniques

Smartphone access has become the dominant mode of accessing websites apart from business-to-business sectors where people research solutions at work. So, designing websites such that they are effective across mobile and desktop devices is now a key consideration for all businesses. Given the proportion of mobile users, marketers need to know the technical options available for mobile design to check that the most appropriate is being used.

Mobile-first design
A process that starts from smaller, mobile screens with the aim of creating the best user experience for people using websites via smartphones. The aim is to encourage simple, minimalist designs.

Speaking at Mobile World Congress in 2010, Eric Schmidt, the CEO of Google suggested that **mobile-first design** should be used in future given the rapidly growing importance of mobile phones (Lomas, 2010). The term is still used at present and its aims of simplicity and minimalism are laudable, but it can be misleading since it doesn't describe an agreed methodology or a design technique. It doesn't recognise that in some sectors, such as B2B, more users may use larger-screen desktop platforms, so it may be desirable to tailor the experience

to the space available. However, as Design Rush (2020), which advocates mobile-first design, points out, it is still possible to progress from a simple mobile-first design outline and functionality to then design more complex desktop solutions.

Responsive web design (RWD)
Layout and formatting of website content is modified at the point of rendering to suit different screen resolutions and capabilities, using web development methods such as CSS media queries and image scaling, to produce a better experience to users of a range of desktop, tablet and smartphone devices.

The initial rapid adoption of smartphones gave rise to some pragmatic solutions such as creating mobile-only sites using a completely different content management system and design to the desktop site, with a domain such as **https://mobile.company-name.com**. However, maintaining separate sites was inefficient, so today the majority of companies use similar technology to serve smartphone and desktop content using the **responsive web design (RWD)** approach. There are also other emerging approaches, which we will also review. Note that these techniques are not mutually exclusive, so media sites with large audiences, such as *The Guardian*, may use all of these techniques since it's important to give the best solution for their many users and advertisers. However, most small and medium businesses use RWD solely, since it is most cost-effective. Let's now look at the techniques in more detail.

The main options for mobile design are:

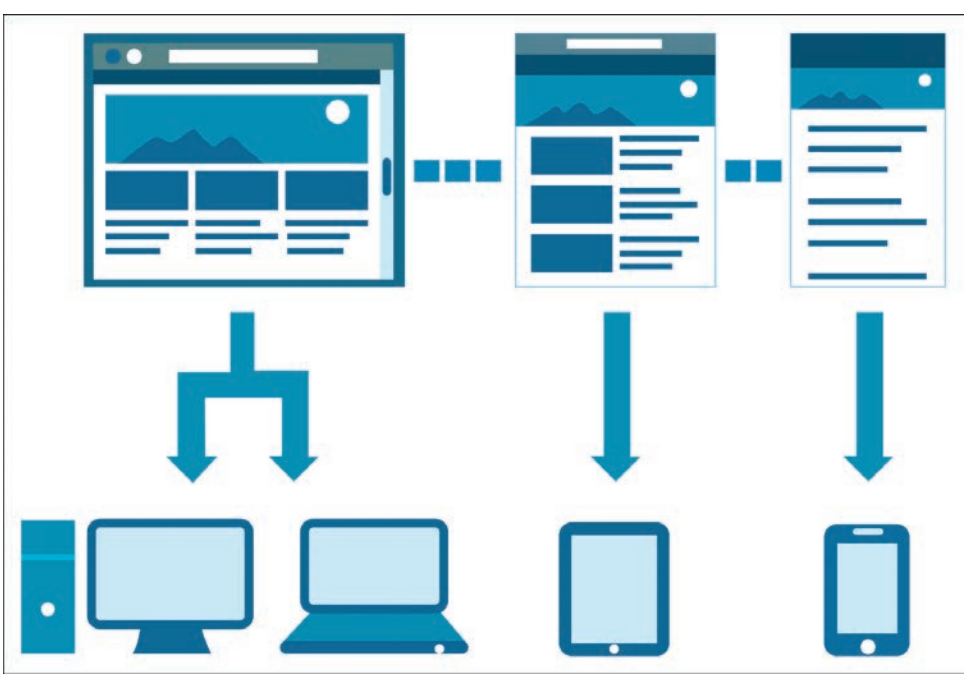
A. Responsive web design (RWD)

Responsive web design (RWD) enables a single version of the site and content to be maintained, which adapts for different resolutions. It was formerly called a 'fluid design', since the layout 'flows' as resolution is changed (as you change the size of a browser viewport window for instance). Blocks of content are moved and rescaled based on screen resolution, as shown in Figure 7.12. Contrast this to what we often see when browsing using a smartphone on a non-responsive site: tiny text and difficult-to-select buttons and navigation, which require us to zoom in.

Media queries
A styling approach within cascading style sheets (CSS) specifying breakpoints for different screen widths in pixels enabling the layout to change based on type of device.

First introduced as a concept in 2010, responsive design is a preferred technique for web developers to design website styling that changes the display layout to suit users of a range of mobile and desktop devices, using modern web development methods such as CSS, **media queries** and image scaling. This will produce an improved experience for users across a

Figure 7.12 Responsive design showing updated layout for different content blocks



range of devices, but there are limitations since breakpoints for less common devices may not be supported or sites that aren't 'upwardly responsive' (i.e. high-resolution displays) may be less well supported than lower resolution.

Responsive design disadvantages include its being more technically complex to implement and test, which leads to higher costs and a larger codebase (particularly of stylesheets) to load, which can harm page load times. Despite these, it is now implemented for many sites.

B. Adaptive design

Adaptive mobile web design
Generally a more sophisticated approach than responsive web design that involves delivering an experience optimised for targeted handsets, and splits the code and processing to render on different devices between the client and the server.

Adaptive mobile web design is a hybrid approach combining different client- and server-based logic to give the best performance with the best experience on priority devices with fewer speed limitations than the responsive approach. The approach is contrasted with responsive web design in Table 7.3. You can see that by only serving code and styling needed for a specific mobile device, the approach can result in a faster experience, although development times and costs can be higher, so it is an approach best suited to larger businesses.

C. Accelerated Mobile Pages (AMP)

Accelerated Mobile Pages (AMP)
A standard to increase page download speed on mobile devices, the AMP framework consists of three components: AMP HTML, which is a standard HTML with web components; AMP JavaScript, which manages resource loading; and AMP caches, which can serve and validate AMP pages.

In August 2016, Google announced that these faster-loading page formats would appear in all search results, not just news results, and so they have become more relevant for all businesses – beyond publishers, for which they were most relevant. **Accelerated Mobile Pages (AMP)** load fast since they have less styling and are loaded directly from Google's servers rather than the publisher's servers. You can see the importance that Google gives to AMP as a method of decreasing page download in this quote from David Besbris (2017), who was the VP of Google Search and is also the AMP Project Lead. He says:

> In two years, we've seen the project grow from a few launch partners to over 25 million website domains that have published more than 4 billion AMP pages. And not only has the number of pages built with AMP grown, their speed has too. The median time it takes an AMP page to load from Google search is less than half a second.

AMP can often be implemented using plug-ins and extensions available from content management systems. For example, WordPress™ has plug-ins to implement AMP. Different interaction options are available within the standard, e.g. for email sign-up, which relate closely to PWAs (see next section). AMP is still being extended to improve interactivity as described at **Amp.dev**, including Web Stories, which appear similar to Instagram Stories, but served from a website. Despite the benefits of speed and relative ease of setup using the same content base, AMPs are still mainly used by publishers.

Table 7.3 A summary of the advantages and disadvantages of different options for mobile-optimised websites

	Approach	Advantages	Disadvantages
Responsive web design (RWD)	CSS media queries modify presentation for device resolution	Single template for all devices gives speed and cost benefits	Bigger page weight Compromises experience for higher resolutions
Client-side adaptive	JavaScript on the user's device loads different templates based on device resolution	Complete rebuild of CSS not needed Only resources needed loaded onto client Experience customised for devices	Maintenance of additional code
Server-side adaptive	Dynamic serving of styles based on device detection	Smaller mobile pages than other approaches	Multiple templates must be maintained

D. Progressive Web Apps (PWAs)

Progressive Web Apps (PWAs)
A development technique that combines the benefits of web and mobile apps, to create digital experiences enabling users to install web apps to their home screen, receive push notifications and potentially work offline.

Progressive Web Apps (PWAs) are a relatively recent innovation that has also been supported by Google and, like AMP, use open source as described by Web Dev (Richard and LePage, 2020). Google champions the use of PWAs explaining that they use 'modern APIs to deliver enhanced capabilities, reliability, and installability while reaching *anyone, anywhere, on any device* with a single codebase'. That is, they offer many of the benefits of apps, but do not have to be created separately for different app stores and the website.

Google (Spero, 2017) explains the benefits of PWAs and contrasts them to mobile apps like this:

> It's not hard to see why leading brands would embrace PWAs. They realize the need to provide the best mobile experience for users – regardless of platform. PWAs eliminate friction by using the web to deliver app-level experiences. There's no need for consumers to find apps in the app store and install them – they can just navigate to the site on any browser, including Chrome and Safari. PWA techniques focus on reliably loading faster (even working offline) and using less data.

PWAs were first introduced in 2015 and they were often used in countries that suffer from poor internet connectivity, such as China and India. Google (Spero, 2017) shows the importance of fast download speed, stating that 53 per cent of mobile visits are abandoned if a site takes longer than three seconds to load. MakeMyTrip™, a travel booking site in India, launched a PWA to offer all Indian smartphone users an effective and reliable mobile booking experience regardless of time, location or network availability. The company saw overall conversion rates triple and a 160 per cent increase in shopper sessions. **Alibaba.com**, the world's largest online business-to-business trading platform, saw a 76 per cent rise in conversions and four-times-higher interaction rate after it upgraded its mobile site to a PWA. Beauty brand Lancôme™ saw a 53 per cent increase in session length and its bounce rates have dropped by a full 10 per cent among iPhone users. Despite these examples of the benefits, PWAs still haven't entered the mainstream for small and medium businesses. The most common use cases will be brands such as Starbucks that want to create a great mobile experience in the browser (see **app.starbucks.com**), but also offer apps for ordering and loyalty programmes in the app store.

Note that all of the design approaches above may make use of the latest version of HTML – HTML5. This enables more options for form interactions and interactivity than previous versions. It has been used for app development, but PWAs and native mobile apps have found more favour.

E. Native mobile apps

Native mobile apps installed onto smartphones or tablets from the Google Play Store for Android or the Apple App store for iOS are a further option that can be considered separately for creating more engaging, more personalised mobile experiences. While most would agree that a website available via a mobile browser is essential, it's not clear whether a dedicated **mobile app** is essential for all but the larger organisations, particularly with the development of responsive and adaptive website design.

Mobile app
Designed to run on smartphones and tablet computers, apps provide users with rich mobile content by deploying the handset's multiple native capabilities. Apps are available for download from app stores hosted by the mobile operating systems (e.g. App Store for iOS or Google Play™ for Android).

Are mobile apps relevant for all businesses?

Arguments for the creation of mobile apps are persuasive, in that, for many B2C sites, in most countries there are more mobile site visitors than desktop visitors. Furthermore, more than 90 per cent of consumers' mobile time is spent using apps, yet often this is spent in activities such as checking social media, email or news rather than using shopping or brand apps.

For new startup businesses without an existing site or user base it may be the case that the new business centres on a mobile app, and that a desktop app may not be necessary. Some

sectors, such as financial services, are well suited to a mobile-app-only-centred experience, which reduces the cost of creating and maintaining the platform.

Through reviewing the types of apps that have proved popular, businesses can assess the potential for them to develop applications for their audiences.

The key questions to ask are:

1. *Are apps a strategic priority for us?* The goal of apps for most organisations will be to increase awareness and sales, or publisher's revenue from advertising or subscriptions. Apps are only likely to be a priority for businesses that have the scale to gain incremental revenue because they have an app that improves loyalty compared to other channels. For many companies, it will be difficult to demonstrate the incremental revenue that they will achieve compared to other mobile interactions such as a mobile-responsive website. In these cases, apps won't be a priority because they will have to put budget into higher-priority areas such as improving the experience on their desktop and mobile sites, or in their media investments. Owing to volume of users reached through these other platforms, incremental improvements here are likely to give better returns.
2. *Do we build our own app and/or leverage existing apps?* Creating an app is only one of the marketing options – advertising and sponsorship options may be a more cost-effective method to build reach and awareness of a brand.
3. *Free or paid apps?* Retailers will generally offer free apps offering choice and convenience in return for loyalty. Brands offering entertainment will likely also go the free route to increase customer engagement. But for publishers or software houses, a freemium approach of free app showcasing the service and paid in-app purchases for improved features and content is the standard approach.
4. *Which category of application to target?* As you would expect, accessing social networks and music via apps is popular.
5. *How to best promote mobile apps?* The options for marketing apps were also researched by Nielsen (2010), who found that the most popular methods of app discovery are:
   - searching the app store – this is so important that the niche activity of App Store Optimisation (ASO) is offered by some consultants;
   - recommendations from friends and family;
   - mention on device or network carrier page;
   - email promotion;
   - offline mention in TV and print.
6. *How to refine apps in line with feedback?* The success of apps is very dependent on feedback in the app stores and the need to fix bugs and add enhancements to compete shows the need for an ongoing development cycle with frequent updates. Careful review of hurdle rates for percentage of user base who are using the app or its different functions is going to be a KPI here.

Differences between mobile app design and development

The sequence of stages for app development is similar to that for website design shown at the start of the chapter. Yet, there are some key differences to consider:

- Context of use is different, with mobile apps often accessed 'on the go' in expectation that using the app will be quick.
- Separate versions need to be created for the two main alternative device operating systems, which have their own store (Google Play for Android OS and Apple App Store for Apple iOS).
- Each operating system has standard design elements, for example for form fields and buttons, which means that less creativity is possible within the interface.
- Mobile notifications can be integrated, for which permission is required.
- Other device-specific functionality may be exploited by the app, for example location or movement of the device.

- Mobile operating systems tend to be updated more frequently than desktop operating systems, meaning that more updates are required. App makers receive reviews for each version, thus creating more of a challenge of keeping up to date.

Mobile apps featuring personalisation share many of the features of personalised websites. A personalised mobile app site has the benefit that specific features can be developed for mobile users based on their context and behaviour, such as location. Back-end integration enabling linkage to individual customer records can be used to build bespoke sites that match the profile of each user.

The Internet of Things

Internet of Things (IoT)
A network of objects and devices at home and at work providing sensors and connectivity that enable them to be monitored and exchange data with other systems.

Machine-to-machine (M2M)
These connections include home and office security and automation, smart metering and utilities, maintenance, building automation, automotive, healthcare and consumer electronics.

The **Internet of things (IoT)**, coupled with **machine-to-machine (M2M)** interactions, promises to bring the connectivity of the internet into every facet of our lives. These systems should make our devices and homes smarter and more efficient. Tariq *et al*. (2020) summarise different marketing outcomes that are possible using IoT technology, including new product development, customer support and CRM. As customers become more concerned about ethical sourcing and supply for products, IoT-enabled labels on consumer items can address their concerns and help develop loyalty. David Quass, *adidas* Director Brand Sustainability Innovation and Business Models, explains (Avery Dennison, 2020):

> adidas sells around 1.3m trainers a day. Each one represents a product sold. . . that then vanishes into a global void. There are billions of adidas trainers out there. But at present, there's no such thing as an individual product lifecycle that can be traced. Consider then how patterns of consumption may change. The need for ever-greater self-expression. Increasingly conscious shopping behaviors. The attraction of upcycling and recycling. The idea of viewing a product as a resource. . . for the next product. Meaning a running shoe becomes an asset, with a residual value; an investment that could be traded. Like a car.

More products will become IoT enabled through collaboration between partners; for example, an agreement between IoT provider EVRYTHING and label provider Avery Dennison will see at least 10 billion apparel and footwear products to market over 36 months as web-ready #BornDigital physical products (Murphy, 2017). See Mini case study 7.5 for a brand example.

Porter and Heppelmann (2015) explain that all connected products, from home appliances to industrial equipment, share three core elements: *physical* components (such as mechanical and electrical parts); *smart* components (sensors, microprocessors, data storage, controls, software, an embedded operating system and a digital user interface); and

Mini case study 7.5 — Diageo Brasil send personalised messages via IoT-enabled whisky

Diageo Brasil decided to position itself as the drink to celebrate fatherhood, by connecting 100,000 bottles to the internet so they could be used to send a personalised, one-to-one digital video message to fathers on Father's Day. The givers (of the whisky) were able to personalise the message with their own content. By doing so it called upon the giver to create what was, in effect, the advertising message to augment the product, making this an example of participative (and, at scale, crowdsourced) creative.

Diageo saw a 72 per cent sales uplift on the lead-up to Father's Day, and the cost of the campaign was repaid five times over. It also helped portray the brand as innovative and positioned whisky as the perfect Father's Day gift in a way that will pay off for years to come. The campaign also won the International Advertising Association's top award.

Source: **http://thedigitals.storystream.it/the-digitals-2013/items/67934/evrythng-for-diageo** (accessed July 2021)

connectivity components (ports, antennae, protocols and networks that enable communication between the product and the product cloud, which runs on remote servers and contains the product's external operating system). Together with their infrastructure, this gives connected products new product capabilities. First, products can *monitor* and report on their own condition and environment, to generate insights into their performance and use; second, the users can control and customise products remotely; and third, optimisation algorithms can substantially improve product performance, utilisation and uptime, and how products work with related products in broader systems.

What about the marketing applications of connected products? These are commonly talked about in these ways:

1. **Products as media.** Some connected products that have screens can potentially be used for ads, which will be more valuable if they are personalised. Devices don't necessarily need screens, since IoT-enabled tags on product packs can be used to connect to information, entertainment and offers, as shown in Mini case study 7.5 on Diageo. In another example (Olsen, 2017), Rebecca Minkoff bags announced that all its future bags would be smart bags. A code would unlock exclusive offers and experiences with Rebecca Minkoff and automatically qualify the customer for a loyalty programme. It also provided e-commerce services, private styling sessions with Rebecca, style recommendations, video content and an invitation to the next fashion show. There were also elite experiences to enjoy with lifestyle partners. Mini case study 7.5 on Diageo Brasil™ explores another example.
2. **Products as a service.** The 'smart home' control products are examples of this. These services are often administered via mobile or desktop apps. This gives opportunities to keep audiences engaged through notifications when they are timely, rather than the previous system of monthly bills.
3. **Products as connected ecosystems.** Within the home context, there are a growing number of popular smart-home IoT clouds on the market, such as HomeKit™, Nest™, SmartThings™ and Wink Hub™. New products for the home will have to support interoperation with these and other products that are integrated with them.

Virtual reality and augmented reality

Virtual reality (VR)
Virtual reality headset and software technology creates immersive three-dimensional spaces that simulate a user's physical presence in a virtual or imaginary environment.

Augmented reality (AR)
In contrast to VR, augmented reality supports and enhances real-world interactions. For example, retailers can enable consumers to try on new clothing or glasses using AR devices.

Mixed reality
The merging of real and virtual worlds to produce new environments and visualisations, where physical and digital objects co-exist and can interact in real time.

The immersive experiences of **virtual reality (VR)**, **augmented reality (AR)** and Metaverses (see Chapter 1) offer the greatest level of digital interaction, as shown on Figure 7.11. VR and AR have been available for several years, so there are many examples of how brands and their agencies have devised campaigns to trial these techniques, hoping to achieve higher engagement and brand recall than web experiences.

Jonathan Steuer (1992) was one of the first to recognise the potential of VR when he reviewed the technological variables influencing what he described as telepresence. These included interactivity factors such as speed, range and mapping, and vividness factors such as breadth and depth.

Although VR technology has developed hugely since this time, limitations in VR have stopped mass adoption of the technique for marketing, although mass adoption for gaming has occurred. In previous editions we have featured examples of using VR, such as a trial by Virgin Atlantic using headsets in-store to help with holiday selection. However, the use of VR in marketing has been limited despite the growing popularity of VR headsets such as those from Oculus and lower-cost options such as Google Cardboard, Google Daydream and YouTube 360 (**arvr.google.com**). This is partly due to the limited adoption of devices by consumers.

Augmented reality marketing applications are an example of **mixed reality**, which was defined by Milgram and Kishino (1994). AR has the benefit that it can be experienced on smartphones, triggered by the camera scanning a code or photograph, without the need for more sophisticated technology. There are a number of examples of brands deploying AR for marketing to engage consumers, as shown in Activity 7.3.

Activity 7.3 How do brands engage audiences with AR applications?

This activity uses examples from brands using the Zappar platform to explore applications of AR.

Activity

Review the examples described by Zappar and write a summary of how brands can integrate AR into campaigns with different types of audiences and goals.

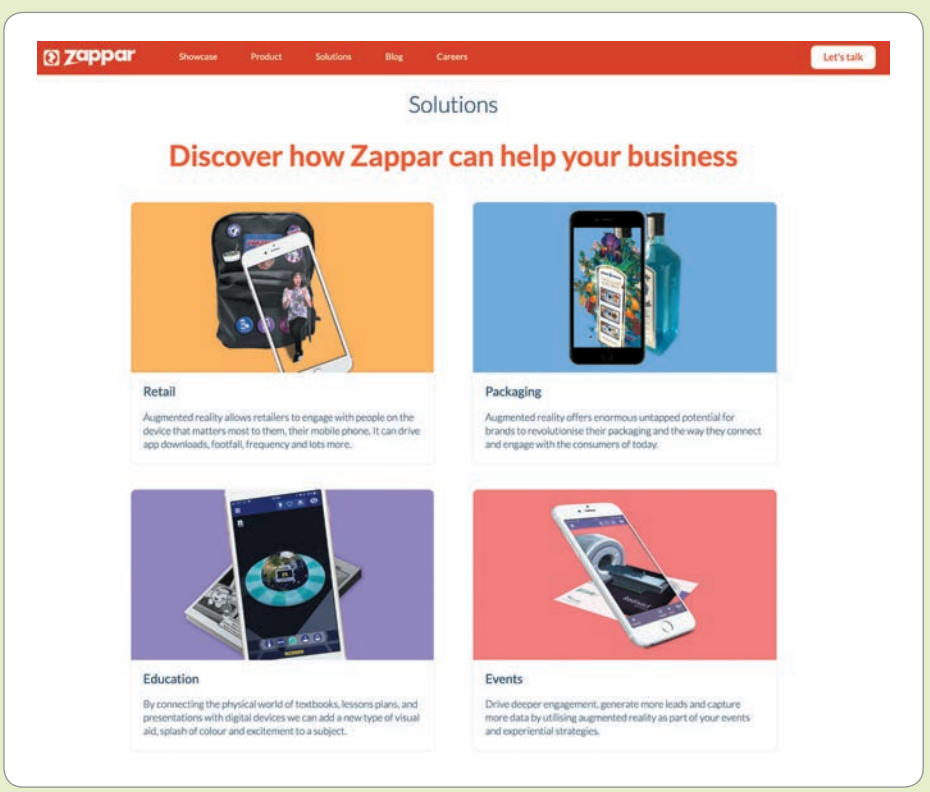
About Zappar

Zappar's team is made up of 12 nationalities and 18 languages based in Chiswick, London, but operating a 'work where you work best' policy, offering remote work.

Zapper says that the origin of the name is that it offers an app using AR that lets audiences ZAP stuff. Zappar provides a platform for agencies and brands to turn almost anything (print ad or brochure, point of sale, product packaging or place) into an interactive delivery channel serving video, animation, games, competitions, additional information, data capture mechanics, social shares and more. Zappar adds a new visual dimension to the world seen through your device as a digital discovery channel, making every touchpoint an engaging, measurable, accountable and delightful short-form experience.

Zapper offers solutions in four main markets, shown in Figure 7.13. Some examples from different sectors are described below and can be viewed on Zappar's website at **www.zappar.com/showcase**.

Figure 7.13 Zappar's augmented reality solutions



Source: Zappar Ltd

Visualise Creative: AXA x Liverpool FC #TogetherWeWin

To celebrate winning the Premier League, we continued our work with Liverpool FC by bringing their fans a chance to join in the celebrations with their favourite team. The #TogetherWeWin campaign allowed fans to scan a QR code, which unlocked a photo opportunity with some of the team's best-known players. They were then encouraged to save and share the photo online with the campaign hashtag.

Purina ONE 28-Day Challenge

Teaming up with Purina, we gave their customers a chance to take part in the 28-Day Challenge. By launching the WebAR experience, customers were given an interactive way to see the benefits of changing their pet's diet to Purina ONE and what improvements to expect throughout the 28-day period. By completing the challenge, they were then sent a $5 coupon to use online or in-store.

Beiersdorf: NIVEA SUN

Working with Beiersdorf (NIVEA SUN), we created this retail experience to promote the health and sustainability benefits of NIVEA SUN. The experience is launched via WebAR and includes a 360 tour of their products, providing information to customers at the point of sale. When customers scan the code they are granted access to videos and information on a range of summer products, from how they keep you safe in the sun to their commitment to sustainability.

Nestle Minions 70s Photo Filters

Designed for at home use, this AR enabled young customers to interact with their favourite characters from the popular franchise *Minions*. By scanning the box, Nestle's customers can unlock a variety of different 70s-themed face filters, with a fun Minions-inspired Polaroid photo border. Photos could be taken and shared on social media, the perfect opportunity for brand engagement.

Sources: **zappar.com/about**/ and **zappar.com/showcase**

Content design and auditing

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

It's evident that a compelling customer experience demands exceptional, compelling content and a well-planned **content marketing** strategy, which we introduced in Chapter 6. Today, by 'content' we refer to the combination of static content forming web pages, but also dynamic rich media content that encourages interaction. Videos, podcasts, user-generated content and interactive product selectors should also be considered as content, which should be refined to engage issues.

To create such resources requires a content strategy, since there is a challenge of delivering so many different types of content in different forms to different places on different access platforms.

In Chapter 1 we introduced the importance of content marketing in modern marketing and the definition suggests certain elements of content marketing strategy that need to be planned and managed: defining goals for content engagement value; content formats and media; content distribution; content participation; and content management platform. Halvorson and Rach (2012) describe the importance of these activities in terms of content management of a website. It can be seen that managing the creation and distribution of quality content is part of a broader customer engagement strategy that looks at delivering effective content across the whole customer lifecycle shown in Figure 2.1. As such it is an integral part of the CRM strategy development, which we covered in Chapter 6. It is also

an important marketing activity affecting conversion optimisation, social media engagement and SEO. Increasing attention is directed at content marketing strategy today since it fuels much of digital marketing. Content marketers such as Kieran Flanagan (2012) of HubSpot™ now talk about 'top, middle and bottom' of funnel (ToFu, MoFu and BoFu) content to suggest how content needs to be researched and audited to see how effective it is at engaging audiences. **Content mapping** is a powerful practical technique to review the current use of content hosted on a website and distributed through different channels against customer needs to meet lifecycle aims of demand generation, nurture and customer retention. Table 7.4 summarises typical content that can be used at different stages of the RACE customer lifecycle in B2B marketing. A similar approach can be used in high-value B2C marketing – for example, financial services or laser eye surgery.

Content mapping
Different content types and formats are reviewed for their potential for engaging target audiences through the customer lifecycle. Current content use and distribution can be reviewed against competitors to uncover new options a company can use.

To implement a content marketing strategy requires a change of mindset for many companies (Pulizzi and Barrett, 2010). They need to think more like a publisher and so invest in quality content that's superior to that of their competitors. This requires:

- quality, compelling content – content is still king;
- quality writers to create quality content, who may be internal staff or external freelance writers;
- an editorial calendar and appropriate process to schedule and deliver the content;
- investment in software tools to facilitate the process;
- investment in customer research to determine the content that different audiences will engage with to support business goals;
- careful tracking of which content engages and is effective for SEO and which isn't.

Pulizzi and Barrett (2010) recommend creating a content marketing roadmap that is underpinned by the BEST principles. BEST stands for:

- **Behavioural.** Does everything you communicate with customers have a purpose? What do you want them to do as a result of interacting with content?
- **Essential.** Deliver information that your best prospects need if they are to succeed at work or in life.
- **Strategic.** Your content marketing efforts must be an integral part of your overall business strategy.
- **Targeted.** You must target your content precisely so that it's truly relevant to your buyers. Different forms of content will need to be delivered through different social platforms.

Table 7.4 Content mapping summarising different content options and distribution techniques that can be used to support lifecycle marketing goals

Lifecycle	REACH	ACT	CONVERT	ENGAGE
Content type and aim	**TOFU** Awareness engagement	**MOFU** Evaluation engagement	**BOFU** Purchase engagement	**ROFU** Retention/advocacy engagement
B2B examples	• 'Hero' lead-gen for cut-through Infographics • 10X content • Webinars – education	• Case studies • Datasheets • Independent reviews • Webinars – demos	• ROI calculators • Business case download	• Career development • E-newsletter
Distribution	• Cross-site or section targeted • Pop-ups and Inline content • SEO • Social media • Paid ads • Influencers	• Site resource section • Email welcome • Email nurture • E-newsletter personal	• Web personalisation • Live chat • Assisted selling • Emails from sales (automated) • Webinars	• E-newsletter • Web personalisation • Targeted emails

Three specific techniques that marketers can use to improve their content effectiveness are content mapping for different audience personas (see Chapter 2), content audits and copywriting for the web.

Content audits

Content audit
A structured review of the effectiveness of different content types and formats to meet the needs of users and the business, using quantitative and qualitative techniques.

Before a business can decide where to prioritise content improvements across its digital assets, it needs to evaluate what needs improving, and why, using a **content audit**, which can include the content mapping techniques shown in Table 7.4.

Halvorson and Rach (2012) note that there are two basic types of audit: quantitative audits and qualitative assessments. They remind us of their purpose by quoting Christina Wodtke, an expert on information architecture, who says the first asks 'what's there?', and the second, 'is it any damn good?'. The 'is the content any good?' question can be answered through website analytics, as well as by asking through surveys and interviews. For example, measures from analytics such as revenue, or goal value per visit, page value or conversion rates to lead or sale for landing pages should be used as part of a content audit.

Online copywriting

As you would expect, effective copywriting for digital media is quite different from print. Jakob Nielsen of Nielsen Norman Group has been researching how we read online since the mid-1990s. He shows that on the average web page, users have time to read, at most, 28 per cent of the words during an average visit; 20 per cent is more likely Nielsen (2008). This shows the importance of achieving scannability of articles through headlines, and the 'scent trails' of links and buttons to other content and actions.

With the increase in smartphones, the need for scannability increases. Biedert *et al.* (2012) found that three different reading modes exist on smartphone – full screen, linewise and blockwise – and scannability and skimmability are important to support each of these.

Scannability and skimmability

Scannability is the use of writing and formatting techniques that compensate for the fact that most people don't fully read content on the web. These techniques help give online readers an overview to navigate the page. *Skimmability* is using shorter copy and formatting techniques to make it easier to read text once the reader has found context through scanning.

Other common errors we see on websites are too much knowledge assumed of the visitor about the company, its products and services, and using internal jargon about products, services or departments – or using undecipherable acronyms.

Web copywriters also need to take account of the user reading the content on screen. Approaches to dealing with the limitations imposed by the customer using a monitor include:

- writing more concisely than in brochures;
- chunking, or breaking text into units of five to six lines at most, which allows users to scan rather than read information on web pages;
- use of lists with headline text in larger font to aid scannability;
- never including too much on a single page, except when presenting lengthy information such as a report, which may be easier to read on a single page;
- using hyperlinks to decrease page sizes or help achieve flow within copy, either by linking to sections further down a page or linking to another page.

Hofacker (2000) described five stages of human information processing when a website is being used. These can be applied to both page design and content design to improve usability and help companies get their message across to consumers. Each of the five stages summarised in Table 7.5 acts as a hurdle, since if the site design or content is too difficult to process then the customer cannot progress to the next stage. It is useful to consider the stages in order to minimise these potential difficulties.

Table 7.5 A summary of the characteristics of the five stages of information processing described by Hofacker (2000)

Stage	Description	Applications
1 Exposure	Content must be present for long enough to be processed	Content on banner ads may not be on screen long enough for processing and cognition
2 Attention	User's eyes will be drawn towards headings and content, not graphics and moving items on a web page (Nielsen, 2000)	Emphasis and accurate labelling of headings is vital to gain a user's attention; evidence suggests that users do not notice banner adverts, suffering from 'banner blindness'
3 Comprehension and perception	The user's interpretation of content	Designs that use common standards and metaphors and are kept simple will be more readily comprehended
4 Yielding and acceptance	Is the information (copy) presented accepted by customers?	Copy should refer to credible sources and present counter arguments as necessary
5 Retention	As for traditional advertising, this describes the extent to which the information is remembered	An unusual style or high degree of interaction leading to flow and user satisfaction is more likely to be recalled

Managing and testing content

It is not practical to provide details of the methods of managing content since marketers do not need an in-depth understanding of development technologies – they will use specialists for this. What marketers do have to know are the aspects of customer experience that can be affected by the tools and development methodologies used. Then, when selecting suppliers, they can ask questions so that the type of constraints on the customer experience described in Activity 7.1 are accounted for. They can also test to make sure the systems have been built successfully. Selecting the right **content management system (CMS)** is important to provide a good user experience and is also important for an efficient method of publishing content since the facility can be made available to people throughout the company. Today there are two main forms of CMS, both of which are delivered as web services that can be accessed through a web browser. Enterprise CMSs can be used for large, complex sites (and other corporate documents); as well as the standard page creation and editing facilities these offer version control and review of documents through workflow systems that notify reviewers when new documents are ready for editing. CMSs for smaller companies traditionally lack workflow or multi-author facilities, but offer many of the other features to create content. However, blogging platforms such as WordPress and Movable Type™ are increasingly used by smaller businesses for managing their entire site since they have enterprise features.

Content management system (CMS)
An online service or software tool for creating, editing and updating online content assets such as text and visual content forming web or mobile app pages.

Criteria for selecting a content management system

A professional content management system should provide these facilities:

- **Easy authoring system.** Editing of new and existing documents should be possible through a WYSIWYG (what you see is what you get) facility similar to a word processor, which makes it easy to embed images and supports a range of markups necessary for SEO.
- **Search engine robot crawling.** The content must be stored and linked such that it can be indexed by search engine crawlers to add it to their index. Sometimes URL rewriting to a search-engine-friendly format without many parameters is required. The Google Search Central pages describe the requirements: **www.google.com/webmasters**.
- **Search-engine-optimisation-friendly markup.** Some bespoke content management systems created by design agencies do not enable easy editing of the key fields, such as <title>, <h1> and <meta name = 'description' content = 'page description'>.

- **Different page templates.** In the design and maintenance of content structure (sub-components, templates, etc.), web page structure and website structure it should be possible to create different layouts and designs for different site sections or categories of pages.
- **Link management.** The maintenance of internal and external links through content change and the elimination of dead links.
- **Input and syndication.** The loading (spidering) of externally originated content and the aggregation and dissemination of content from a variety of sources.
- **Versioning.** The crucial task of controlling which edition of a page, page element or the whole site is published. Typically this will be the most recent, but previous editions should be archived and it should be possible to roll back to a previous version.
- **Security and access control.** Different permissions can be assigned to different roles of users and some content may only be available through log-in details. In these cases, the CMS maintains a list of users.
- **Use of plug-ins and widgets.** Mashups are possible through embedding widgets such as links to social networks or third-party applications. But a content management system may not readily support embedding within the main content or sidebars.
- **Publication workflow.** Content destined for a website needs to pass through a publication process to move it from the management environment to the live delivery environment. The process may involve tasks such as editorial authorisation and the construction of composite documents in real time (personalisation and selective dissemination).
- **Tracking and monitoring.** Providing logs and statistical analysis of use to provide performance measures, tune the content according to demand and protect against misuse. It should also be possible to rapidly add tags to the page templates for web analytics tools such as Google Analytics.
- **Navigation and visualisation.** Providing an intuitive, clear and attractive representation of the nature and location of content using colour, texture, 3D rendering or even virtual reality. It should be possible to make changes to the navigation and containers holding content within the page template.
- **Personalisation.** Recommending relevant content or offers based on audience profile or interaction behaviour.
- **Flexibility to test new approaches.** It should be possible to test alternative designs and messaging using techniques such as AB and multivariate testing.

As mentioned earlier in the chapter, open-source options such as WordPress, Joomla or Drupal now deliver many of these features either within their core installation or via plug-ins. Some larger organisations use paid CMS such as those from Adobe, Episerver, Kentico, Sitecore or Umbraco, since they may offer superior features for some functions such as personalisation or tracking, or have better support from agencies.

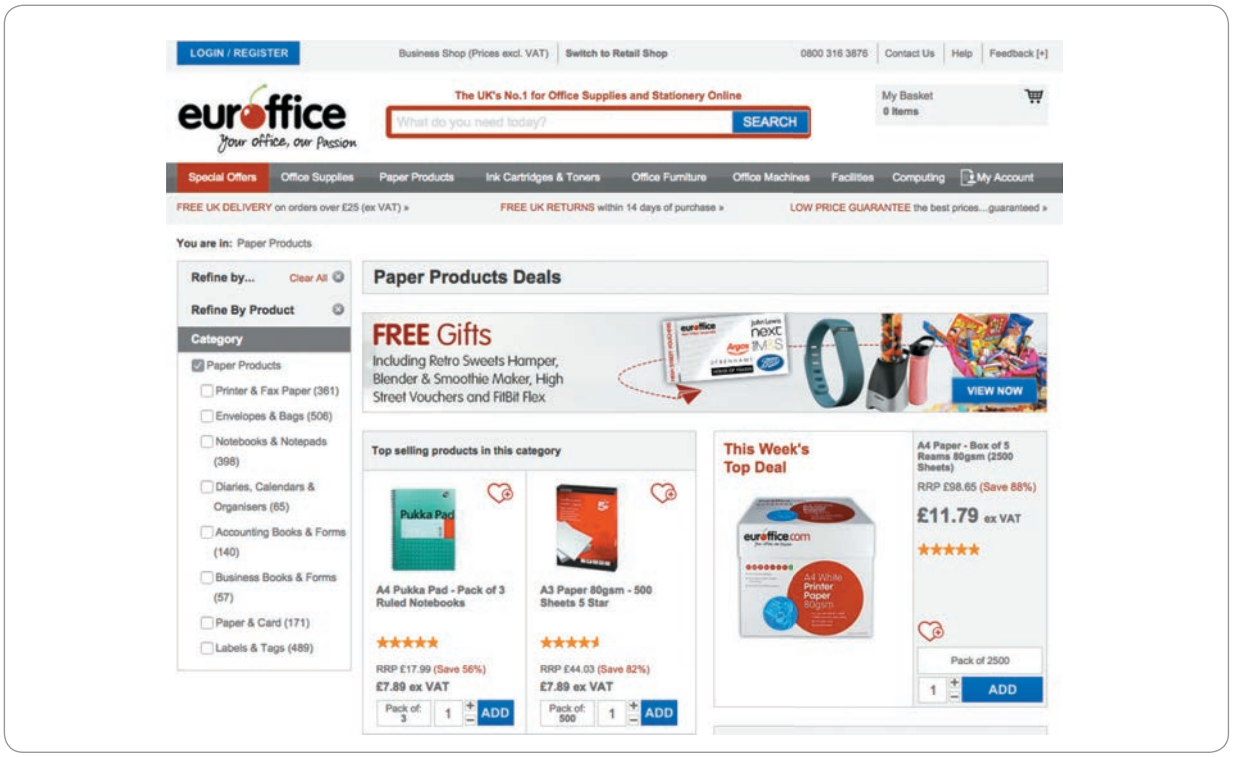
Online retail merchandising

Web merchandising
The aim of web merchandising is to maximise the sales potential of an online store for each visitor. This means connecting the right products with the right offer to the right visitor, and remembering that the online store is part of a broader experience including online and offline advertising, in-store visits, customer service and delivery.

For online retail site owners, **web merchandising** is a crucial activity, in the same way it is for physical retail store owners. In both cases, the aims are similar – to maximise sales potential for each store visitor. Online, this means presenting relevant products and promotions to site visitors, which should help boost key measures of site performance such as conversion rate and average order value. You will see that many of these approaches are related to the concept of findability. Some of the most common approaches used are:

- **Expanding navigation through synonyms.** Through using a range of terms that may apply to the same product, the product may become easier to find if a site visitor is searching using a particular expression.
- **Applying faceted navigation or search approaches.** Search results pages are important in online merchandising since conversion rates will be higher if relevant products and offers

Figure 7.14 Faceted navigation at **Euroffice.co.uk**



Source: Euroffice.co.uk

Faceted navigation Enables users to rapidly filter results from a product search based on different ways of classifying the product by its attributes or features. For example, by brand, by sub-product category, by price bands.

are at the top of the list. **Faceted navigation** enables website users to 'drill down' to easily select a relevant product by selecting different product attributes (Figure 7.14).

- **Featuring the best-selling products prominently.** Featuring strongest product lines prominently is a common approach, with retailers showing 'Top 10' or 'Top 20' products.
- **Use of bundling.** The classic retail approach of buy-one-get-one-free (BOGOF) is commonly applied online through showcasing complementary products. For example, Amazon offers discounts on two or three related books, if bought together. Related products are also shown on the product page or in checkout, although care has to be taken here since this can reduce conversion rates.
- **Use of customer ratings and reviews.** Reviews can be important in influencing sales. Research from online ratings service Bazaarvoice™ showed that for one of its clients, CompUSA™, the use of reviews achieved:
  - 60 per cent higher conversion;
  - 50 per cent higher order value;
  - 82 per cent more page views per visitor.
- **Interactive product visualisers.** These systems enable web users to zoom in and rotate on products.

Evaluating the impact of service quality on e-loyalty

Delivering service quality in e-commerce can be assessed through reviewing existing marketing frameworks for determining levels of service quality. Those most frequently used are based on the concept of a 'service–quality gap' that exists between the customer's expected level of service (from previous experience and word-of-mouth communication) and their perception of the actual level of service delivery. We can apply the elements of service quality on which Parasuraman *et al.* (1985) suggest that consumers judge

companies. Note that there has been heated dispute about the validity of this SERVQUAL instrument framework in determining service quality – see, for example, Cronin and Taylor (1992). Despite this, it is still instructive to apply these dimensions of service quality to customer service on the web (see, for example, Chaffey and Edgar (2000); Kolesar and Galbraith (2000); Trocchia and Janda (2003); and Zeithaml *et al*. (2002), summarised by Valvi and Fragkos (2012)):

- **Tangibles** – the physical appearance of facilities and communications.
- **Reliability** – the ability to perform the service dependably and accurately.
- **Responsiveness** – a willingness to help customers and provide prompt service.
- **Assurance** – the knowledge and courtesy of employees and their ability to convey trust and confidence.
- **Empathy** – providing caring, individualised attention.

For e-commerce, such dimensions are often discussed for their impact on e-loyalty, i.e. reviewing whether service quality is sufficient for repeat purchases. Additional non-service factors such as perceived value also need to be assessed for their impact on repeat purchase, as noted by Valvi and Fragkos (2012), who review no less than 62 instruments or frameworks for reviewing e-loyalty! These authors propose a new general conceptual framework that leads to e-loyalty, dividing antecedents into pre-purchase, during purchase and after-purchase factors, based on the act of purchase.

As well as applying these academic frameworks, organisations can use benchmarking services such as ForeSee™ (**www.foreseeresults.com**), based on the American Customer Satisfaction Index methodology that assesses satisfaction scores based on the gap between expectations and actual service. Net Promoter Score (NPS), which is discussed in Chapter 6 in the section on 'Measuring the voice of the customer in digital media', is the most commonly used measurement and technique for assessing loyalty within e-commerce.

It should also be remembered that the level of service selected by an online transactional service is based on the relationship between the costs to serve, the value of the product and the likelihood of the channel to increase conversion. Take the example of a bank: online customer service will typically have a lower cost-to-serve, yet may reduce conversion rates, particularly for more complex products. We introduced some of these methods of delivering online customer service in Chapter 5:

1. **Straight-through processing.** Transaction typically occurs without intervention from staff for a relatively simple product such as a savings account.
2. **Call-backs.** The customer has the option to specify the bank call if there is anything they are unclear on.
3. **Live chat.** Online discussion between service representative and the client. This may be invoked proactively if analysis suggests the customer is having difficulty in deciding.
4. **Co-browsing.** Sharing of screen to walk through application process.
5. **Phone.** Typically, this has the highest cost, but often the highest conversion rate.

Two of the most significant frameworks for assessing online service quality are:

- WEBQUAL (Loiacono *et al*., 2000, 2007), which considers 14 dimensions. It has been criticised for relating too much to functional design issues rather than service issues. Consider other limitations, which could include rating of content or products, trust factors, support for different digital devices or integration with other online and offline channels. Green and Pearson (2011), for example, cover the trust factors and perceived risk. The dimensions of WEBQUAL are:
    1. *Information quality* – the concern that information provided is accurate, updated and appropriate.
    2. *Functional fit to task* – the extent to which users believe that the website meets their needs.
    3. *Tailored communications* – communications can be tailored to meet the user's needs.

4. *Trust* – secure communication and observance of information privacy.
5. *Response time* – the time it takes to get a response after a request or an interaction with a website.
6. *Ease of understanding* – easy to read and understand.
7. *Intuitive operations* – easy to operate and navigate.
8. *Visual appeal* – the aesthetics of the site.
9. *Innovativeness* – the creativity and uniqueness of the website.
10. *Emotional appeal* – the emotional effect of using the website and intensity of involvement.
11. *Consistent image* – that the website does not create dissonance for the user by an image incompatible with that projected by the firm through other media.
12. *Online completeness* – allowing all or most necessary transactions to be completed online (for example, purchasing on the website).
13. *Relative advantage* – online service is equivalent to or better than other means of interacting with the company.
14. *Customer service* – the response to customer enquiries, comments and feedback when such response requires more than one interaction.

- E-SERVQUAL (Zeithaml *et al.*, 2002) contains seven dimensions. The first four are classified as the core service scale, and the latter three dimensions are regarded as a recovery scale, since they are only relevant when online customers have questions or problems:

  1. *Efficiency* refers to the ability of the customers to get to the website, search for information or transact as required.
  2. *Fulfilment* involves the accuracy of service promises, including products' in-stock availability and delivering the products in the promised time.
  3. *Reliability* is associated with the technical functioning of the site, including availability and performance.
  4. *Privacy* is related to assurance that shopping behaviour data are not shared and that credit card information is secure.
  5. *Responsiveness* refers to the ability of e-tailers to provide appropriate support information to customers when requested.
  6. *Compensation* involves returns facilities for refunds, and return shipping and handling costs.
  7. *Contact* is the ability of customers to talk to a live service agent online.

Both are useful frameworks that can still be applied to evaluate online service quality today, although arguably they omit the importance of accessibility, findability techniques, multichannel integration and customer reviews and ratings.

Online marketers should assess what customers' expectations are in each of these areas, and identify where there is an **online service-quality gap** between the customer expectations and what is currently delivered.

Online service-quality gap
The mismatch between what is expected of and delivered by an online presence.

As mentioned at the start of the chapter, Klaus (2014) notes that there have been limited attempts to review more holistic digital customer experiences, despite the development of broader customer experience management assessment such as EXQ – a multiple-item scale for assessing service experience, developed by Klaus and Maklan (2012).

We will now examine how the five determinants of online service quality apply online.

Tangibles

It can be suggested that the tangibles dimension is influenced by ease of use and visual appeal based on the structural and graphic design of the site. Design factors that influence this variable are described later in this chapter.

Reliability and responsiveness

The reliability dimension is dependent on the availability of a website – in other words, how easy it is to connect to the website as a user. Many companies fail to achieve 100 per cent availability and potential customers may be lost for ever if they attempt to use the site when it is unavailable.

Reliability of email and social media response remains a key issue. Superoffice (2017) analysed the customer service quality of 500 worldwide companies of a range of sizes. They found that:

- 41 per cent of companies did not respond to a customer service request.
- 90 per cent of companies did not acknowledge an email had been received.
- 99 per cent of companies did not follow up with customers.
- Only 11 per cent of companies answered both questions in the first reply.
- The average response time to handle a customer service request was 15 hours.

Responsiveness is also indicated by the performance of the website – the time it takes for a page request to be delivered to the user's browser as a page impression, as discussed for the Google data presented earlier in this chapter (Karnowski, 2017).

Assurance

In an email or social media response context, assurance can best be considered as the quality of response.

Empathy

Although it might be considered that empathy requires personal human contact, it can still be achieved, to an extent, through email and web communications.

Provision of personalisation facilities is also an indication of the empathy provided by the website, but more research is needed as to customers' perception of the value of web pages that are dynamically created to meet a customer's information needs.

It can be suggested that, for managers wishing to apply a framework such as SERVQUAL in an e-commerce context, there are three stages appropriate to managing the process:

1. **Understanding expectations.** Customer expectations for the e-commerce environment in a particular market sector must be understood. The SERVQUAL framework can be used with market research and benchmarking of other sites to understand requirements such as responsiveness and empathy. Scenarios can also be used to identify customer expectations of using services on a site.
2. **Setting and communicating the service promise.** Once expectations are understood, marketing communications can be used to inform the customers of the level of service. This can be achieved through customer service guarantees or promises. It is better to under-promise than over-promise. A book retailer who delivers a book in two days when three days were promised will earn the customer's loyalty better than the retailer who promises one day but delivers in two! The enlightened company may also explain what it will do if it doesn't meet its promises – will the customer be recompensed? The service promise must also be communicated internally and combined with training to ensure that the service is delivered.
3. **Delivering the service promise.** Finally, commitments must be delivered through on-site service, support from employees and physical fulfilment. Otherwise, online credibility is destroyed and a customer may never return.

Tables 7.6 and 7.7 summarise the main concerns of online consumers for each of the elements of service quality. Table 7.6 gives the main factors in the context of SERVQUAL and Table 7.7 presents the requirements from an e-commerce site that must be met for excellent customer service.

Multichannel customer service preferences

Preferences among consumers for getting advice and support from different channels will vary according to their demographics. The CMO Council (2019) researched preferences in a survey of more than 2,000 consumers with nearly equal representation from five generational cohorts – the Silent Generation, Baby Boomers, Gen Xers, Millennials and Gen Zers. Eighty-one per cent of the survey respondents were from the United States, and the balance were from Canada, the United Kingdom, Ireland and Australia/New Zealand.

Fifty-nine per cent of consumers agreed that it was important a company was 'omnichannel' to them, agreeing with the statement 'I don't need companies to be everywhere, except when I really need something'. When survey participants were asked what makes a channel indispensable, the top three attributes identified were convenience (50 per cent), reliability (45 per cent) and speed (41 per cent). The research also asked participants what communication channels they expected companies to provide. The top five channels identified were:

- email (86 per cent of respondents);
- telephone (65 per cent);
- website (53 per cent);
- text (52 per cent);
- in person (48 per cent).

When survey participants were asked what communication channel they couldn't live without, the two channels most frequently identified by respondents – telephone (28 per cent) and in person (17 per cent) – were both non-digital.

A further assurance concern of e-commerce websites is the privacy and security of customer information (see Chapter 3). Reassurance can be provided by trust marks, which are independent third-party images or logos that e-commerce sites display. Some of the most commonly recognised trust marks include the Verisign, McAfee, TRUSTe, secure HTTP (e.g. Comodo) and PayPal verified site marks.

The relationship between service quality, customer satisfaction and loyalty

As we discussed in Chapter 6 (see Figure 6.11), it is key for organisations to understand not only the levers that determine service quality and customer satisfaction, but also loyalty or repeat purchases.

Rigby *et al.* (2000) assessed repeat-purchase drivers in grocery, clothing and consumer electronics e-tail. It was found that the key loyalty drivers were similar to those of Dell, including correct delivery of order, but other factors such as price, ease of use and customer support were more important.

Table 7.6 Online elements of service quality

Tangibles	Reliability	Responsiveness	Assurance and empathy
Ease of use	Availability	Download speed	Contacts with call centre
Content quality	Reliability	Email response	Personalisation
Price	Email replies	Call-back	Privacy
		Fulfilment	Security

Table 7.7 Summary of requirements for online service quality

Email response requirements:
• Use of autoresponders confirming processing of query • Defined response times and individuals responsible • Personalised emails if this is appropriate • Opt-ins and opt-outs must be provided for promotional emails with a suitable offer in exchange for customer information • Accurate response to inbound email noting customer's preferred response type: email, or phone call • Layout should be clear; with named individual and privacy statements included
Website requirements:
• Company targets for site performance and availability • Support for customer-preferred channels (email, phone, in person or postal mail) • Clear contact points, including mailto (a link specified, which sends an email or leads to a form) • Personalisation options for customers • Tools to help users answer specific questions, such as FAQs or interactive databases • Testing of site usability and efficiency of links, HTML, plug-ins and browsers to maximise accessibility • Graphic and site design to achieve ease of use and relevance of content with visual appeal

Case study 7 Refining the online customer experience at i-to-i.com

This case is about a specialist travel and education company, focusing on its online TEFL (teaching English as a foreign language) courses. The company's site combines many of the features we have described in this chapter, blending accessibility, usability and persuasion. This case considers the challenges of delivering an effective design across different markets for different audiences.

i-to-i background

i-to-i (**www.i-to-i.com**) is an international organisation based in Leeds with offices in the United States, Ireland and Australia. Around 200,000 people have graduated from i-to-i as TEFL teachers. Many have also travelled on ventures to support hundreds of worthwhile projects on five continents.

The history of i-to-i

The founder of i-to-i, Deirdre Bounds, was inspired to create the company following a career break that took her to teach English in Japan, China and Greece and drive a backpackers' bus in Sydney. The company initially started through creating TEFL courses, eventually leading to organising volunteer projects. The first online TEFL course was launched in 2001. By 2000, 50,000 had graduated, rising to 100,000 in 2012. In 2015 i-to-i joined forces with **LoveTeflJobs.com**, enabling graduates to get teaching positions around the world.

Proposition

The main features of the i-to-i TEFL proposition communicated through its site are:

- **International course accreditation:** i-to-i is externally accredited by Ofqual and the Open and Distance Learning Quality Council (ODLQC), and is regulated by the UK Government's OfQual to ensure that its courses are rigorously monitored and always meet the highest industry standards. It offers the CELTA, Certificate of English Language Teaching to Adults, one of the most highly recognised and regarded initial English teaching certifications worldwide.
- **Complete student support:** students receive advice on how to get work abroad, how best to prepare for their time away and up-to-the-minute advice on current job opportunities.
- **Highly experienced tutors:** all i-to-i tutors have at least three years' overseas teaching experience.
- **Jobs finder**. Thousands of jobs are offered in 20+ countries, available through LoveTeflJobs whose database is integrated into the main i-to-i site.

This proposition is backed up by 'the i-to-i TEFL Promise', which is communicated on the site:

- We will beat any equivalent and cheaper course by 150%.

- If you're not entirely satisfied after the first seven days, we'll give you a full refund.
- Our experience, our high academic standards and the quality of our courses means that i-to-i TEFL certificates are recognised by thousands of language schools worldwide.
- Additionally i-to-i can offer to help students find TEFL jobs abroad.

Audience segmentation

The main segmentation used by i-to-i is geographic:

- United Kingdom;
- North America;
- Europe;
- Australia and New Zealand;
- rest-of-world (same as United Kingdom).

Different brochures are available for each geographical area. Information is also collected on an optional basis about prospects' age and status, although this is not used for targeting emails. Career status categories are:

- student;
- employed;
- self-employed;
- career break;
- unemployed;
- retired.

Since optional information is restricted to certain lead tools it is not used to target emails. For in-person weekend TEFL teaching the postcode/city is used to target courses to the nearest location of prospects.

Customer journeys

The main customer journeys or 'top tasks' on the site include:

- Search or browse for courses by type.
- Search or browse for courses by location.
- Search or browse for jobs or internships.
- Blog and FAQ for learning about TEFL courses.

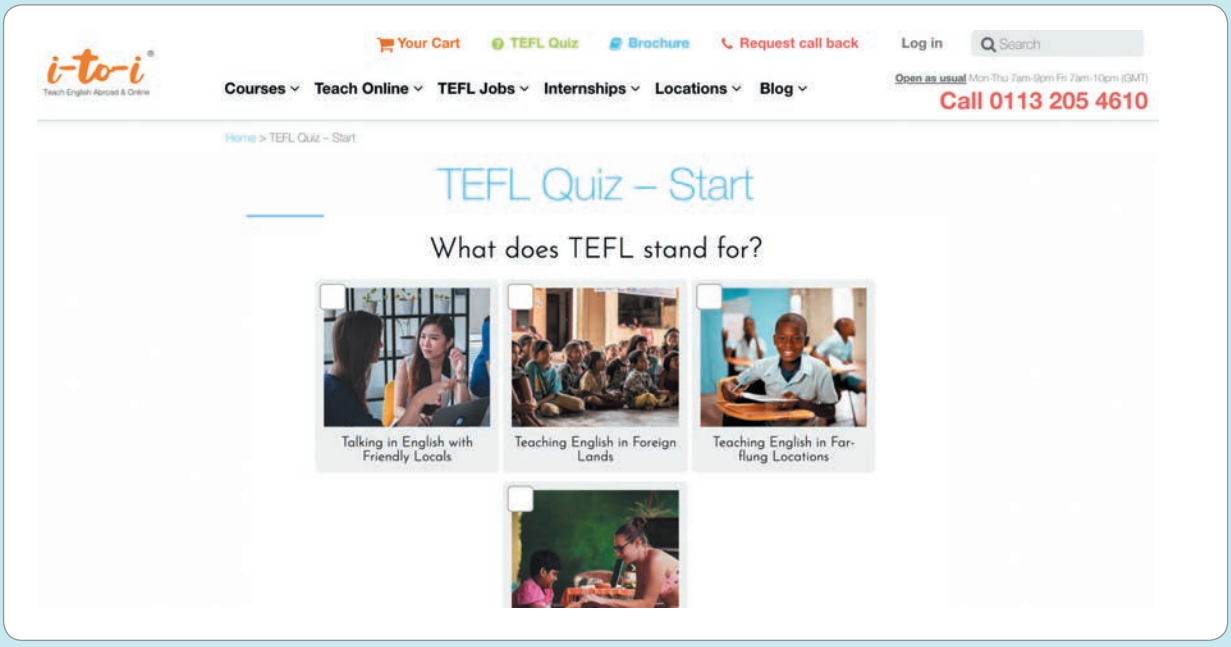
The main calls to action are:

- downloadable brochure;
- TEFL quiz;
- request phone call-back or call;
- salary calculator;
- shopping cart;
- login.

The brochure and quiz are gated, following the principles of permission marketing (Chapter 6), requesting name, email address and phone number. These can then be used to follow up interest by email and phone nurturing, depending on level of interest. The quiz (Figure 7.15) is effective as an engagement device, and research by the company shows that people who complete the quiz tend to have a higher conversion rate to sale.

The digital experience is delivered through a responsive web design (RWD), so similar options are available on smartphone and desktop.

Figure 7.15 TEFL quiz



Source: i-to-i TEFL

Trust factors

With many competitors with a similar offering and courses delivered online, reassurance about the quality of the experience is paramount. i-to-i seeks to reassure its audience through:

- independent accreditation and regulation through ODLQC and Ofqual;
- 5,000-plus reviews on Reviews.io, averaging 4.7;
- testimonials and videos from students;
- downloabable brochure about company history;
- 'Trust bar' on home page featuring different accreditations.

Marketing technology

Wappalyzer.com and **BuiltWith.com** show that the main technologies used are:

- WordPress content management system and MySQL database;
- Google Tag Manager, Google Analytics and Facebook Pixel for tracking;
- Google Optimize for AB testing;
- Hotjar for usability testing;
- OptinMonster for profiling and lead generation;
- Cloudflare and Amazon CloudFront content delivery networks;
- Mailchimp and Mailgun for email marketing, automation and CRM;
- Yoast SEO plug-in.

Competitors

Some of the main competitors for online TEFL courses based in the United Kingdom and Australia include: **cactustefl.com**, **teflonline.com**, **tefl.org**, **eslbase.com** and **teflcorp.com**. These can be compared for how they communicate their value proposition and the navigation schemes they offer.

Media mix

i-to-i uses a combination of these digital media channels to drive visits, leads and sales:

- pay-per-click (PPC) (mainly Google Ads);
- social media marketing using Facebook, Instagram, Twitter and i-to-i's own traveller community;
- natural search;
- affiliate marketing;
- display advertising;
- email marketing.

Facebook and Instagram are important for showcasing travellers' experiences through a 'Storyteller' series, often using video and blog diaries.

Marketplace challenges

The main marketplace challenges faced by i-to-i are:

- Increasing its presence and conversion effectiveness in a competitive market in different geographies.
- i-to-i has good exposure in the United Kingdom, its primary market, but operates in a cluttered marketplace with price being the main differentiator (products are similar and some competitors are just as established).
- Research suggests that there is good opportunity within the United States, but exposure is more limited because of the cost of pay-per-click advertising and because presence in natural search favours the United States.
- Rest-of-world sales (outside of the United Kingdom, United States, Canada, Ireland/Europe, Australia and New Zealand) are increasing and this is believed to be a growing market. i-to-i seeks to penetrate these markets, but in a cost-effective way that will not distract attention from the main markets.
- Increasing demand through reaching and educating those considering travel, who are not aware of TEFL courses and the opportunities they unlock. For example, many will look for casual work in other countries, e.g. in bars or in agriculture, but will be unaware of the option of TEFL.

Source: Based on information from **i-to-i.com**, and author evaluation and knowledge of the business

Questions

1. Select one country that i-to-i operates in closest to the area where you live. Define a persona based on their age and product needs and then identify the main customer journeys and content requirements for this persona. Which routes through the site would this user follow?
2. Review the range of engagement and reassurance techniques on the i-to-i website to engage the audience to generate leads.
3. Identify key areas for improvement for i-to-i based on your use of the site.

Summary

1. An effective online customer experience is dependent on many factors, including the visual elements of the site design and how it has been designed for persuasion, usability, accessibility and performance.
2. Careful planning and execution of website and mobile app implementation is important, in order to avoid the need for extensive reworking at a later stage if the design proves to be ineffective.
3. Analysis, design and implementation should form an iterative, prototyping approach based on usability testing that meets business and user requirements.
4. The choice of host for a website, performance and availability should be considered carefully since this will govern the quality of service of the website.
5. Options for analysis of users' requirements for a website include:
   - interviews with marketing staff;
   - questionnaire sent to companies;
   - usability and accessibility testing;
   - informal interviews with key accounts;
   - focus groups;
   - reviewing competitors' websites.
6. The design phase of developing a website includes specification of:
   - the information architecture, or structure, of the website using techniques such as site maps, blueprints and wireframes;
   - usability, digital accessibility, mobile requirements and personalisation;
   - the flow, controlled by the navigation and menu options;
   - the graphic design and brand identity;
   - content strategy;
   - country-specific localisation;
   - the service quality of online forms and email messages.
7. For websites in the retail sector there are specific considerations we have reviewed including mobile apps, personalisation, web merchandising and the Internet of Things.

Exercises

Self-assessment exercises

1. Explain the term 'prototyping' in relation to website creation.
2. What tasks should managers undertake during initiation of a web page?
3. What factors should be considered for domain name registration?
4. List the factors that determine website 'flow'.
5. Which requirements are important for an effective website?
6. List the options for assessing online service quality.
7. Which issues should be considered when developing a content strategy?
8. What are the factors that control the performance of a website?

Exam and discussion questions

1. Discuss the relative effectiveness of the different methods of assessing the customer's needs from a website.
2. Select three websites of your choice and compare their design effectiveness. You should describe design features such as navigation, structure and graphics.
3. Explain how strategy, analysis, design and implementation of a website or mobile app should be integrated through a prototyping approach. Describe the merits and problems of the prototyping approach.

4 When designing the interactive services of a website, what steps should the designer take to provide a quality service to customers?
5 How can customer analysis be used to develop a more effective online service?
6 Name, and briefly explain, the characteristics of an online service or brand that will govern whether a user recommends it.
7 What are the constraints on web service design depending on the technology platform the service is accessed on?

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **https://www.davechaffey.com/book-support**. The sites for this chapter cover recommended sites to learn more about the principles of usability, information architecture, personalisation and conversion rate optimisation.

8 Campaign planning for digital media

Learning objectives and topics

After reading this chapter, you should be able to:

- Articulate the differences between digital and traditional media and the implications for planning campaigns
  - The characteristics of digital media
- Use forecasting, evaluation and marketing insight to inform campaigns
  - Step 1. Goal setting and tracking for interactive marketing communications
  - Step 2. Campaign insight
- Review the options for segmentation and targeting and campaign engagement provided in different channels
  - Step 3. Segmentation and targeting
  - Step 4. Big idea, offer, message development and creative
- Consider how to select the most effective digital media and plan them as part of an integrated campaign
  - Step 5. Budgeting and selecting the digital media mix
  - Step 6. Integration into overall media schedule or plan

Case Study

Case study 8: Global Action Plan; campaigning for a better world

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 1 describes the 6Is, a framework that introduces the characteristics of internet marketing communications.
- Chapter 2 introduces portals and search engines – one of the methods of online traffic building discussed in this chapter.
- Chapter 3 introduces some of the legal and ethical constraints on online marketing communications.
- Chapter 4 provides the strategic basis for digital marketing communications.
- Chapter 7 describes on-site communications.
- Chapter 9 reviews the different digital media channels in detail.
- Chapter 10 considers the measurement of communications effectiveness.

Introduction

Planning marketing campaigns to achieve targets for leads and sales is a regular, essential activity for all types of organisations as they launch new products, offer promotions and seek to generate demand for their brand propositions. The need for campaigns is usually identified in annual plans and then each campaign is planned and executed individually. The advent of digital marketing has offered many new options for campaigns to achieve their goals, for example: reaching audiences through relatively new channels such as search and social media marketing; using rich interactive media to engage audiences and communicate messages; and using technology and data to analyse and follow-up on response through personalisation.

To take advantage of digital innovation demands that businesses update their process for planning, managing and optimising campaigns and this is the focus of this chapter, which is structured based on the steps of planning an integrated marketing campaign.

Practical issues we will cover related to the 7Ds of digital marketing that we introduced in Chapter 1 are:

- **Digital goals** – how to create forecasts, and track and report on campaign effectiveness. We explore the difference between campaigns with a brand-building, direct response or brand response focus and how integrating digital media can support these goals.
- **Digital audiences** – how to use digital media to target online audiences cost-effectively.
- **Digital devices** – how to reduce media wastage by more precise targeting based on behaviour.
- **Digital platforms and digital media** – where and how to reach our audiences online, which is mainly covered in Chapter 9 where we cover best practices for different media channels.
- **Digital data and digital technology** – how insight about audiences can be collected through technology and then used for personalisation, as described in Chapters 6 and 7.

Traditionally, marketing campaigns have been short-term 'burst activities' where ad budget has limited the time that specific campaigns could run, from weeks to months depending on the type of campaign and budget available. The availability of low-cost, organic inbound marketing activities such as search, social media and email has meant that some campaigns can be considered continuous. Today, when we launch a new product or run a campaign for demand generation, campaign duration can be extended and this means that more optimisation should be applied during the campaign to improve the return on media investment.

These continuous or 'always-on' digital communications activities for promoting brand value proposition, which we introduced in Chapter 1, also have similar considerations to the campaign steps we cover in this chapter. In these cases, we need to plan customer acquisition and retention activities across the whole year, where similar issues of forecasting, targeting, message selection, tracking and reporting are required.

Chaffey and Smith (2017) refer to the relevance of timing for traffic building. They say:

> Some marketers may consider traffic building to be a continuous process, but others may view it as a specific campaign, perhaps to launch a site or a major enhancement. Some methods tend to work best continuously; others are short term.

An example of the benefits that can accrue through a continuous focus on improving results is explored in Mini case study 8.1. This is an example of the approach of growth hacking introduced in the previous chapter, which blends improvements to communications with experience.

The structure of this chapter

We begin by reviewing the unique characteristics of digital media that should be applied for success in modern integrated campaigns. We then look at the different practical aspects of communications, which must be reviewed as part of planning always-on communications

or managing a campaign and integrating it with traditional media. These are the sections of this chapter and the main questions we answer:

1. **Goal setting and tracking.** Which specific goals should be set for online campaigns and how do we measure success? What response mechanisms will be most effective?
2. **Campaign insight.** Which data about customer and competitor behaviour are available to inform our decision?
3. **Segmentation and targeting.** How can we target and reach our different audiences?
4. **Big idea, offer and message development.** How do we specify our offer and key messages?
5. **Budgeting and selecting the digital media mix.** How should we set the budget and invest in different forms of digital media?
6. **Integration into overall media schedule or plan.** How should we plan the media schedule, which incorporates different waves of online and offline communications?

Essential digital skills — Campaign planning for digital media

The practical skills of managing paid, owned and earned media channels, which we will cover in Chapter 9, are much sought after in businesses. Yet creating integrated plans to coordinate these activities is even more sought after. These skills include:

- **Setting a brief for agency or internal teams.** Outline the goals and target audience for a campaign.
- **Reviewing insight and analytics.** Today's campaigns must be data-driven, so knowledge of insight sources (Chapter 2) and campaign effectiveness measures are useful.
- **Campaign integration tactics.** Campaigns are more effective when integrated, so understanding how to achieve this is useful.

Practical ideas to boost employability by showcasing your interests and experiences include:

- reviewing campaigns by brands and writing up the success factors on a blog;
- using the Google Analytics Demo account to understand full referrer mix;
- completing free online Google Ads or Analytics training.

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

Digital media channels
Online communications techniques using paid, owned and earned media to achieve goals of brand awareness, familiarity and favourability, and to influence purchase intent by encouraging users of digital media to visit a website or mobile app to engage with the brand or product, and ultimately to purchase online or offline through traditional media channels such as by phone or in-store. The six main channels include search engine marketing, social media marketing, email marketing, display advertising, public relations and partner marketing.

Referrer or referring site
The source of a visitor to a site delivered via a digital media channel, typically from a click-through on an ad placement on a specific site or an advertising platform, e.g. from Facebook, Google or LinkedIn, or an ad or affiliate network.

Building on this, in Chapter 9 we review the success factors for the main **digital media channels**, such as affiliate, search and social media marketing (shown in Figure 1.11), which make up the tactics of digital marketing campaigns. When a visitor is directed to a site from another third-party site via a digital media channel, the origin is known as a **referrer or referring site**.

The characteristics of digital media

By understanding the key interactive communications characteristics enabled through digital media we can exploit these media while guarding against their weaknesses. In this section, we will describe nine key changes in the media characteristics between traditional and digital media. Note that the 6Is in Chapter 1 provide an alternative framework that is useful for evaluating the differences between traditional media and new media.

1 From push to pull

Push media
Communications are broadcast from an advertiser to consumers of the message, who are passive recipients.

Pull media and inbound marketing
The consumer is proactive in actively seeking out a solution and interactions with brands and is attracted through content, search and social media marketing.

Traditional media such as print, TV and radio are **push media** – one-way streets where information is mainly unidirectional, from company to customer, unless direct response or sales activation elements such as use of coupon codes are built in. In contrast, many digital marketing activities such as content, search and social media marketing involve **pull media and inbound marketing**. Inbound marketing is powerful since advertising wastage is reduced. It involves applying content and search marketing to target prospects with a defined need – they are proactive and self-selecting. But this can also be a weakness since marketers may have less control than in traditional communications where the message is pushed out to a defined audience and can help generate awareness and demand. The implications are that stimuli to encourage online interactions are still important through online or traditional ads, direct mail, physical reminders or encouraging word of mouth. Online, 'push' from digital advertising or email marketing remains important and is part of the inbound or permission marketing approach (Chapter 6): it should be an aim of websites and social media presences to capture customers' email addresses in order that opt-in email can be used to push relevant and timely messages to customers.

Mini case study 8.1 — Glenigan increases digital ad efficiency through insight and targeting

Glenigan is an information services company for the construction industry that supplies detailed information about construction projects in the United Kingdom via a subscription service. Clients include construction firms, mid-sized and large contractors, and the suppliers of building materials and services.

Challenge

Glenigan had been running always-on paid search campaigns with some success, but wanted to increase its number of qualified leads year on year. It also wanted to drive greater efficiency from paid media channels so that it could achieve a lower cost-per-acquisition (CPA) and get the most from its marketing budgets. Paid search formed an important part of Glenigan's digital channel mix, so it was vital to the client that the channel was reaching the right audience, high-quality leads were being generated for the sales team and efforts weren't being wasted on consumer traffic.

With this brief, its agency Strange set about creating a plan that would help Glenigan connect with its target audience and improve the performance of its paid search campaigns.

Solution

The first action by the agency was to make sure that paid search activity was connecting with quality prospects. It knew investments had to reach a B2B audience, and (where possible) limit exposure to consumer traffic.

Strange took action to analyse campaign performance by both time of day and day of week, and ensure that the account's budgets were aligned with performance. Running campaigns during trading hours only greatly improved spend efficiency, and within these hours it was able to find additional pockets of efficiency in which it could adjust its bidding accordingly.

To help further refine the paid search targeting, the team also took advantage of audience demographic information so that it could identify areas of wasted spend, and areas of opportunity. It examined campaign performance by factors such as age, gender and user household income to make sure that it limited ad delivery to those not interested in Glenigan's proposition. Conversely, it was then able to maximise its efforts on audience demographics who responded well to its ads, and were likely to result in a qualified lead.

In addition to demographic audience analysis, it then started to run a number of in-market audiences on groups it believed to be similar to Glenigan's target customers. By observing the behaviour of relevant groups – such as users in the market for general contracting services – it was able to set bids based on their performance.

Taking it a step further, it was also able to help the client install website tracking so that it could keep track of users who were already Glenigan subscribers. With this information, it excluded current customers from its prospecting campaigns to reduce wasted spend on users who were simply looking to log in to the website's subscriber area. It also started to bid more aggressively on returning site visitors who were yet to convert, as its analysis showed that they were much more likely to convert compared with cold leads.

Results

The results of the audience refinement work were significant improvements in account performance and overall lead volume. From paid search, a 17.5 per cent increase in qualified leads was achieved, comparing the first half of 2019 with the first half of 2018.

Over the same period, Glenigan's cost-per-lead decreased by 20 per cent. Furthermore, the client saw these improvements without increasing its marketing budget between the two periods, meaning that overall efficiency was greatly improved.

Source: Strange (2019)

2 Interactive dialogues

Interactivity
The digital medium enables a dialogue between company and customer.

Creating a dialogue through **interactivity** is the next important feature of the web and digital media, which provide the opportunity for two-way interactions with the customer. This distinguishing feature of the digital medium was proclaimed in the early days to be a significant benefit of the internet and digital channels (Deighton, 1996; Peters, 1998) and also as a means of developing long-term relationships with customers through what would later be defined as permission marketing by Godin (1999).

Walmsley (2007) believed the main impact of digital media has not been to find new ways to connect brands to consumers as originally anticipated, but in connecting those consumers to each other. This unexpected shift in the direction has led to new communication paradigms.

3 From one-to-many to one-to-some and one-to-one

Traditional push communications are one-to-many (from one company to many customers), often the same message to different segments and often poorly targeted. With digital media 'one-to-some' communications, reaching a niche or micro-segment becomes more practical – digital marketers can afford to tailor and target their message to different segments through providing different site content or email for different audiences through **mass customisation** and **personalisation** (Chapter 6).

Mass customisation
The creation of tailored marketing messages or products for individual customers or groups of customers, typically using technology to retain the economies of scale and the capacity of mass marketing or production.

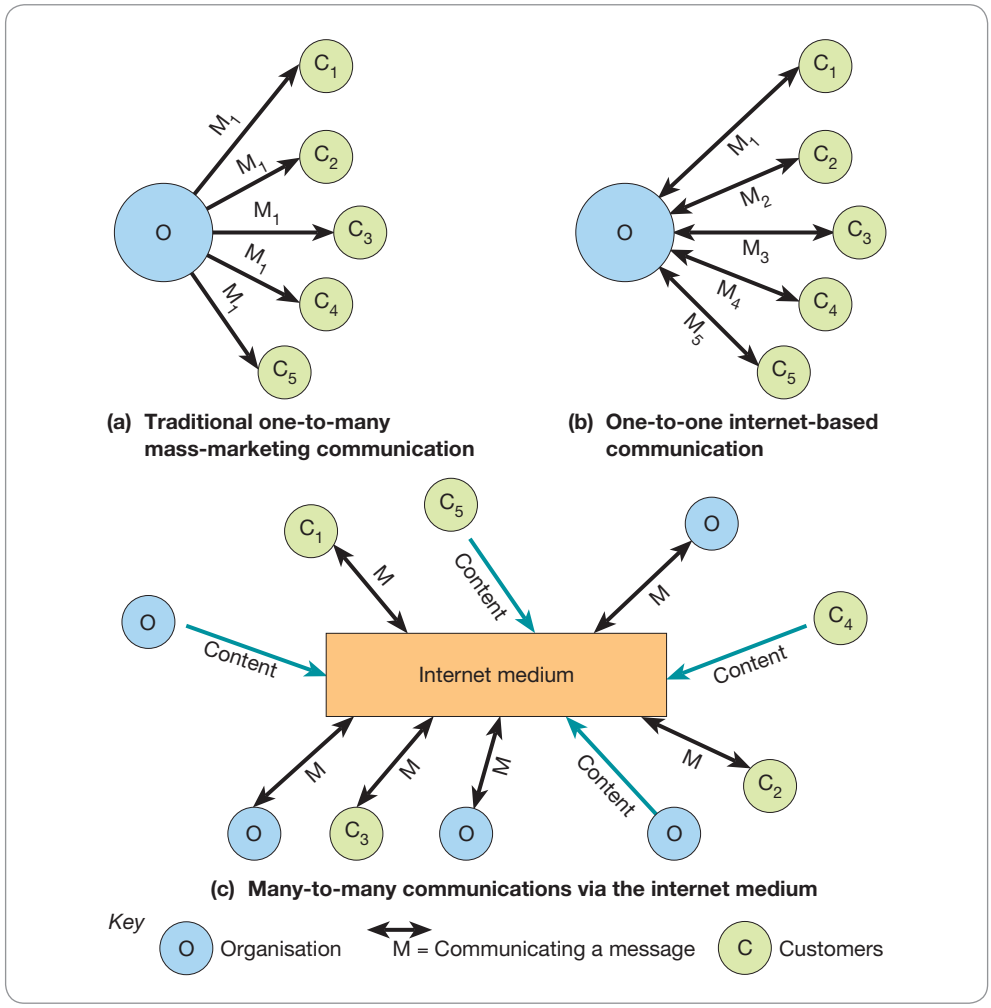
Personalisation
Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

Figure 8.1 illustrates the opportunities for mass customisation as interaction occurs between an organisation (O) communicating a message (M) to customers (C) for a single-step flow of communication. It is apparent that for traditional mass marketing in (a), a single message (M_1) is communicated to all customers (C_1 to C_5).

Hoffman and Novak (1997) believed that this change was significant enough to represent a new model for marketing, or a new 'marketing paradigm' (Figure 8.1 (c)). They suggest that the facilities of the internet, including the web, represent a computer-mediated environment in which the interactions are not between the sender and receiver of information, but with the medium itself. Their vision of the future is now apparent in the popularity of social networks, user-generated content and specialist communities:

> consumers can interact with the medium, firms can provide content to the medium, and in the most radical departure from traditional marketing environments, consumers can provide commercially-orientated content to the media.

Figure 8.1 The differences between one-to-many and one-to-one communication using the internet (organisation (O) communicating a message (M) to customers (C))



4 From one-to-many to many-to-many communications

Digital media also enable many-to-many communications. Hoffman and Novak (1996) noted that new media are many-to-many media. Here customers can interact with other customers via a website, in independent communities or on their personal websites and blogs. We will see in the section on online PR (Chapter 9) that the implications of many-to-many communications are a loss of control of communications requiring monitoring of information sources, but an opening up of more opportunities to reach out to influencers to expand reach.

5 From 'lean-back' to 'lean-forward'

Digital media are also intense media – they are interactive, lean-forward media where the customer wants to be in control and wants to experience flow and responsiveness to their needs. First impressions and devices to encourage the visitor to interact are important. If the visitor to your site does not find what they are looking for immediately, whether through poor design or slow speed, they will move on, probably never to return.

6 The medium changes the nature of standard marketing communications tools such as advertising

In addition to offering the opportunity for one-to-one marketing, the internet can be, and widely still is, used for one-to-many advertising. The website or social media site can be considered as similar in function to an advertisement (since it can inform, persuade and remind customers about the offering, although it is not paid for in the same way as a traditional advertisement). Berthon *et al*. (1996) considered a website as a mix between advertising and direct selling since it can also be used to engage the visitor in a dialogue. Constraints on advertising in traditional mass media, such as paying for time or space, become less important. The wastage in traditional advertising where ads are either ignored or are not relevant for an audience is reduced in online marketing, and search marketing in particular. In pay-per-click (PPC) advertising, display of ads can be controlled according to user need based on what searchers are looking for, and cost is only incurred where interest is indicated by a click. Affiliate marketing is also a **pay-for-performance communications** technique where cost is only incurred where there is a response.

Pay-for-performance communications
The wastage from traditional media buys can be reduced online through advertising models where the advertisers only pay for a response (cost per click), as in pay-per-click search marketing, or for a lead or sale, as in affiliate marketing.

Peters (1998) suggested that communication via the new medium was differentiated from traditional media in four ways:

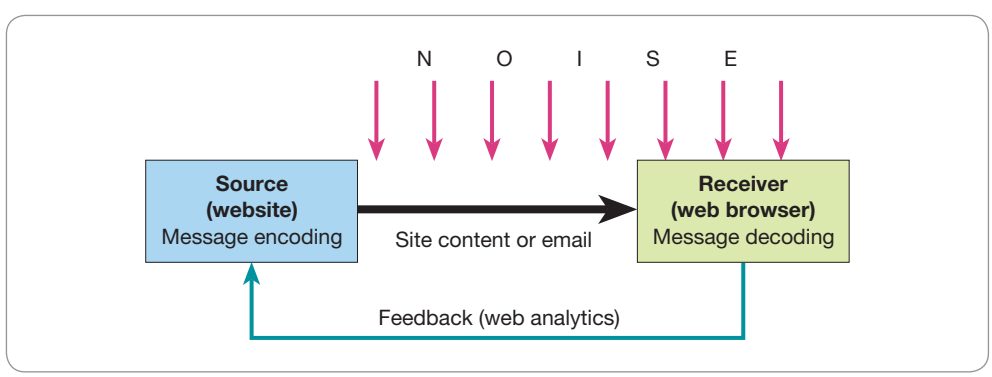
1. *Communication style*, which is changed with *immediate*, or synchronous, transfer of information through online customer service; asynchronous communication, where there is a time delay between sending and receiving information, as through email, also occurs.
2. *Social presence*, or the feeling that a communications exchange is sociable, warm, personal and active, may be lower if a standard web page is delivered but can be enhanced, perhaps by personalisation.
3. *Control of contact* has shifted towards the consumer.
4. The user controls the *content* – for example, through personalisation facilities or posting their own user-generated content.

These ideas are still very relevant today and act as a foundation for digital communications.

Hoffman and Novak (1996) had also pointed out that the main relationships in digital channels are not *directly* between sender and receiver of information but with the web-based environment, but the classic communications model of Schramm (1955) can still be used to help understand the effectiveness of marketing communication using the internet. Figure 8.2 shows the model applied to the internet. Four of the elements of the model that can constrain the effectiveness of digital marketing are:

- **Encoding.** This is the design and development of the site content or email that aims to convey the message of the company, and is dependent on understanding of the target audience.

Figure 8.2 The communications model of Schramm (1955) applied to the internet



Source: Schramm (1955)

- **Noise.** This is the external influence that affects the quality of the message; in an internet context this can be slow download times, the use of plug-ins that the user cannot use or confusion caused by too much information on screen.
- **Decoding.** This is the process of interpreting the message, and is dependent on the cognitive ability of the receiver, which is partly influenced by the length of time they have used the internet.
- **Feedback.** This occurs through online forms and through monitoring of on-site behaviour through web analytics (Chapter 10).

7 Increase in communications intermediaries

If we contrast traditional advertising and PR with the options available in paid, owned and earned digital media, there is an increase in opportunities to reach audiences online through a large number of options for media and influencers. Traditional radio channels, newspapers and print titles have migrated online, but in addition there are a vast number of online-only publishers, bloggers and individuals sharing through social networks. The concept of the long tail (Chapter 5) also applies to websites in any sector. There are a handful of key sites, but many others can also be used to reach customers. The online marketer needs to select the most appropriate of this plethora of sites that customers visit to drive traffic to their own website.

8 Integration

Although digital media have distinct characteristics compared to traditional media, it does not follow that we should concentrate our communications solely on digital media. Rather we should combine and integrate traditional and digital media according to their strengths, as explained in Step 6 later in this chapter.

Always-on (or continuous) communications
Continuous investment in paid, owned and earned digital media to engage prospects and customers and meet purchase intent as they research products through search, social media and publisher sites.

Real-time marketing (and PR)
Brands develop an agile, proactive approach to PR, content marketing and advertising to participate in current news and trends to help increase their visibility and influence through positive brand mentions. They also develop a reactive approach to respond to negative brand mentions through social media reputation management.

Meme
An idea, theme or trend that engages an audience and spreads through viral communications.

Newsjacking
A publisher or other brand seeks to take advantage of current topical interest in a story and then add to or subvert it to increase their own publicity.

9 Timing of campaign communications has additional 'always-on' and real-time marketing components

Earlier in this chapter and in previous chapters we have described the need for **'always-on' (or continuous) communications** activity across paid, owned and earned media to tap into consumer intent to research new products through search engines, publisher sites and social media. Alongside this, investment in traditional 'burst' marketing campaigns is, of course, still needed to promote new products, seasonal promotions, brand engagement and demand (lead) generation.

Another change in the timing of marketing campaigns and communications is from forward planning of campaigns to a more agile, dynamic approach now known as **real-time marketing (and PR)**.

'Real time' means news breaks over minutes, not days. It means ideas percolate, then suddenly and unpredictably go viral to a global audience. It's when companies develop (or refine) products or services instantly, based on feedback from customers or events in the marketplace. And it's when businesses see an opportunity and are the first to act on it. (See Digital marketing insight 8.1: #OpenYourWorld.)

Brands can be proactive in creating their own viral news, **memes** or storytelling through campaigns to make proactive use of real-time marketing such as through **newsjacking**, but also need to be countered when their brand is presented negatively. This is part of reputation management and crisis communications, which are described in the next chapter in the sections on online PR and social media.

We conclude this section with our summary of some of the main differences between traditional and digital media (Table 8.1).

Digital marketing insight 8.1 #OpenYourWorld shares individual's views

Heineken's '#OpenYourWorld' campaign reached 3 million views (within the first eight days) and over 50,000 shares (within the first month) and a trending hashtag. The campaign used Facebook as a platform and worked with The Human Library. According to Nic Casby, Heineken's marketing manager, the company wanted to foster human ideals around 'empathy, tolerance and also the simple act of talking to one another' (Hunt, 2017; Mortimer, 2017).

This leading beer brand – known for iconic and inventive ad campaigns – experimented with social issues and brought together individuals (not actors) who were complete strangers with contrasting political views. The aim was to prove that it is possible for people with divided opinions to find common ground – hopefully, but not necessarily, by sharing a beer.

Table 8.1 Summary of differences in characteristics of traditional media and digital media (note that rows 10–12 are similarities between the two media types)

Traditional media	Digital media
1 Push emphasis (e.g. TV and print ads and direct mail)	Pull emphasis: search intent based on need and context (search engine marketing (SEM))
2 One-way communications	Dialogue and interactivity through user-generated content (UGC)
3 Targeting cost constrained by media placements	Micro-targeting and personalisation through SEM, social media and media placements on niche sites
4 Limited customer-to-customer interactions	Participation: through communities and social networks
5 Static campaigns – once campaigns have been booked with a media agency it is difficult to adjust them	Dynamic campaigns where it is possible to test alternative creative and targeting, and then revise during campaign according to performance Real-time programmatic media buying Real-time PR
6 Burst campaigns maximise ad impact over a short period	Continuous, 'always-on' media where a permanent 'real-time' presence is required in online media (e.g. in search, social media and on publishers' sites)
7 Limited media-buying opportunities with high degree of wastage	Limitless paid media-buying opportunities with pay-per-performance options plus owned and earned media (see Chapter 1 for definitions)
8 Detailed response measurement often limited to qualitative research	Potentially measurable at micro-level through web analytics and ad tracking systems
9 Pre-testing	Can also test and refine during campaign
10 Most communications to reach audience via media owners	Media owners are still important but communications also possible via website and non-media-owned blogs and social networks
11 Integrated communications vital	Integrated communications vital
12 Not cheap, quick or easy	Not cheap, quick or easy

We will now recommend a series of steps that can be used when taking a structured approach to planning an integrated campaign or an online customer acquisition plan. Our emphasis is to focus on how digital media will be managed when integrated with other media.

Step 1. Goal setting and tracking for interactive marketing communications

Marketers can develop communications objectives for digital media on different timescales:

- **Annual marketing communications objectives.** For example, achieving new site visitors or gaining qualified leads can be forecast for an entire year since this will be a continuous, always-on activity based on visitor building through search engines, social media and other digital activities. Annual budgets are set to help achieve these objectives.
- **Campaign-specific communications objectives.** Marketing campaigns to support tactical initiatives through the year such as seasonal promotions or product launches through online advertising and viral marketing. Specific objectives can be stated for each in terms of gaining new visitors, converting visitors to customers and encouraging repeat purchases. Campaign objectives should build on traditional marketing objectives, have a specific target audience and have measurable outcomes that can be attributed to the specific campaign.

The measures we cover in this section can be applied to both the short and long term. More depth on tracking through analytics and the specific measures used for measuring social media ROI are available in Chapter 10.

Brand-building campaigns
Campaign focus is on building brand awareness, brand consideration and brand preference. Typically longer-term campaigns.

Direct-response campaigns
Campaign focus is on increasing immediate purchase intent, also known as sales activation. Typically shorter-term campaigns. Digital media increase options to gain immediate opt-in to communications or sampling with the aim of nuturing to sale.

Brand-response campaigns
Campaign focus is on brand building, blending direct-response components to encourage opt-in, trial, consultation or purchase.

The goals for marketing campaigns and, in particular, large-scale advertising campaigns are often characterised as either **brand-building campaigns** aimed at growing brand awareness or **direct-response campaigns** that focus on sales activation. With the growth in digital media and its importance in reaching audiences, it's useful to evaluate which digital media are most effective in achieving these goals. Digital media give new paid options such as search, social media and video ads to achieve these goals and facilitate the use of a new type of direct response to achieve opt-in to future communications and then nurture to sale using conversational messaging and retargeting (as discussed in Chapter 6 in the section on permission marketing). In Table 8.2 we summarise some of the key differences between brand-building and direct-response campaigns.

Research reviewing the goals and results of UK ad campaigns by Binet and Field (2013) discussed the rationale for each type of campaign and recommended that for a consumer brand the ideal ratio between long-term brand response and direct-response investment was 60:40. The research focused on consumer brands, but has been more recently applied to B2B organisations (Scott, 2019), where the balance between brand building and direct response is typically more similar.

Binet and Field note that there is a continuum between brand and direct-response campaigns and that **brand-response campaigns**, which seek to combine the two goals, are becoming more popular. It has been argued by Dawson (2010) that a simplistic division of brand versus direct response is limiting. He gives examples of brand-response campaigns from companies such as Sainsbury's (the 'Try Something New Today' campaign featuring recipe cards from chef Jamie Oliver) and the O2 launch campaign (encouraging people to adopt tactical propositions such as Pay and Go and Bolt Ons), and explains the value of the technique:

> Marketers and their agencies have long been caught in their own 'Tyranny of the OR' as they have wrestled with how to achieve the right balance of brand-building and response-driving tactical activity within campaigns. Terms such as 'theme and scheme' or 'strategic promotions' have been variously used to describe this ongoing challenge.
>
> Brand response is the marketing communications industry's 'Genius of the And'. It sounds too good to be true. It asks us to live with two apparently contradictory ideas at the same time. It can be defined simply as a strategic and executional campaign approach where brand building drives response and this response in turn builds the brand in a virtuous circle of effectiveness.

Table 8.2 Typical differences between brand-building and direct-response focused campaigns

Characteristic	Brand-building campaigns	Direct-response campaigns
Goal	Increase brand awareness and optionally develop brand familiarity and preference	Increase purchase intent and achieve sales activation including sales, opt-in and enquiries
Success criteria and payment model	Campaign reach and increments in brand recall Typically impression-based payment	Increments in purchase intent, sales, leads and opt-in Typically performance-based payment
Creative approach	High emotional impact using TV, video or rich media for storytelling Features brand name	Communicate offer features and personal benefits, strong call-to-action to search, visit a site or call
Website integration	Typically integrated into home page May be integrated cross-site or dedicated campaign microsite	Dedicated landing page aimed at response
Digital targeting approach	Demographic targeting or similar audiences Retargeting less likely	Intent-based targeting by search keyword Affinity targeting for those 'in market' on search or social media; ad retargeting using search, social or display ads
Optimisation approach	Limited optimisation	Extensive optimisation based on response to different ad creative and landing page conversion

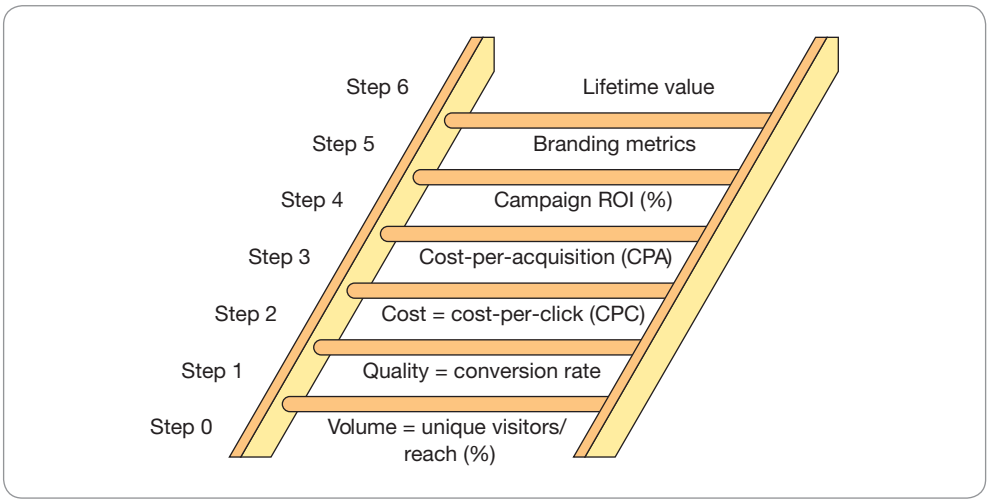
The focus of media investment for campaigns between the two will typically vary by sector. Consider a new consumer food brand that is launching: here investment will tend to focus on awareness building. However, a new financial services brand launching a banking app would tend to focus more on direct response.

Terminology for measuring digital media

There are a bewildering series of terms used to set goals and track the effectiveness of digital media as part of marketing campaigns, so we start this section by explaining the main measures you will encounter in models for campaign planning and reports from online campaigns. Remember that, as we explained in the goal-setting section with regard to strategy in Chapter 4, it's important that when setting goals and tracking we go beyond the volume measures of visitors attracted to a site and use the full range of VQVC measures – that's volume, quality, value and cost of visitors.

Figure 8.3 shows different measures for goal setting and tracking digital media campaign components from least sophisticated to more sophisticated, as shown under the following headings.

Figure 8.3 Measures used for setting campaign objectives or assessing campaign success, increasing in sophistication from bottom to top



0 Volume measures including impressions, clicks, visitor sessions and unique visitors

Opportunities to see (OTS) or impressions A measure of campaign reach based on the number of times an ad or campaign content is viewed during a time period. Its definition varies by channel and it sometimes references the average number of times someone has seen an ad (i.e. frequency). Online impressions are used to measure the number of times an ad is served or displayed or a post appears in a social media feed.

Visitor session (visit) A series of one or more page impressions, served to one user, which ends when there is a gap of 30 minutes or more between successive page impressions for that user.

Unique visitor Individual visitor to a site measured through cookies or the IP address on an individual computer.

Opportunities to see (OTS) or impressions can be used to benchmark the volume of content viewed online or in traditional media in different campaigns. These may lead to website click-throughs or people may search for a brand or campaign name resulting in 'view-throughs' where a click-through can't be measured. For example, Global Action Plan UK (see Case study 8) uses the similar 'opportunities to view' to assess the effectiveness of its Clean Air Days; a recent campaign used in online, print, broadcast and social media coverage (380 million opportunities to view) provided more than 1 billion opportunities to view and learn about air pollution.

Traffic volume based on online response to a campaign is usually measured as the number of click-throughs or visits to a site or campaign landing pages (**visitor sessions**) or, better, **unique visitors**. Unique visitors is preferable to using page views or hits as a measure of effectiveness, since it represents opportunities to communicate with individuals but, as we will explain in Chapter 10, it may be technically difficult to calculate 'uniques' accurately since measurement is based on cookies. A more sophisticated measure is reach (%) or online audience share. This is only possible using panel data/audience data tools such as **www.comscore.com** or **www.nielsen.com**.

Example: An online bank has 1 million unique visitors per month.

1 Quality measures including conversion rates to action and bounce rates

Traffic volume measures give no indication of whether the audience referred to the site engages with it or leaves straight away, so we need quality measures to show us this. Conversion rate is the best-known quality measure, which shows what proportion of visitors from different sources within a defined time period convert to specific marketing outcomes on the website, such as lead, sale or subscription.

Example: 10 per cent of visitors convert to an outcome such as logging in to their account, or asking for a quote for a product.

Visit or session conversion rate
An indication of the capability of a site to convert visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of visitor sessions within a time period.

Visitor conversion rate
An indication of the capability of a site to convert visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of unique visitors within a defined time period.

Conversion rates can be expressed in two different ways – at the visit level (**visit or session conversion rate**) or the unique visitor level (**visitor conversion rate**).

Eric Petersen (2005) explains it this way:

> The denominator you use [to calculate conversion rate] will depend on whether you're trying to understand how people behave during visits or the people themselves. If you're interested in people [and the overall buying process] use unique visitors, if you're interested in behaviour [on a single visit] use visits.

Examples:

$$\text{Visit conversion rate} = \frac{\text{10 conversion events}}{\text{1,000 visits}} = 1\%$$

For an e-retailer this is the order conversion rate:

$$\text{Order conversion rate} = \frac{\text{10 sales}}{\text{1,000 visits}} = 1\%$$

$$\text{Visit conversion rate} = \frac{\text{10 conversion events}}{\text{8000 visits}} = 1.25\%$$

For an online retailer, this can be called the buyer conversion rate, also known as the browse-to-buy ratio, or for a travel company 'look to book':

$$\text{buyer conversion rate} = \frac{\text{10 sales}}{\text{800 unique visitors}} = 1.25\%$$

Conversion window
The period of time after an interaction with a media channel or ad (such as an ad click or video view) during which an outcome such as a lead or purchase is credited to the media channel.

Bounce rate
Proportion of visitors to a page or site who exit after visiting a single page only, usually expressed as a percentage.

Note that conversion rates should be considered relative to a **conversion window** during which conversions based on a click are measured. By default, these are a 30-day period in Google Ads, but can be extended for longer buying cycles (for example, a B2B supplier might extend this to 90 or 180 days), although the deletion of cookies by users may make longer conversion windows less accurate.

A related measure that is useful to monitor during campaigns is the **bounce rate**, which indicates the proportion of referred visitors to a page or site who exit after visiting a single page only, usually expressed as a percentage (i.e. those who arrive at the site and bounce off it since they don't discover relevance!).

Reviewing bounce or engagement rates can improve the effectiveness of landing pages and the quality of referrers to a page. The benefit of using bounce rates rather than conversion rates is that there is a much wider variation in bounce rates for a page (i.e. typically 20 to 80 per cent, compared to under 10 per cent), which enables problems with individual referrers, keywords or landing page conversions to be more readily identified. Bounce rates are calculated as follows:

$$\text{Bounce rate \%} = \frac{100 \times \text{single page visits to a page (or site)}}{\text{all visits starting on page (or site)}}$$

$$\text{Engagement rate \%} = (\text{100-bounce rate \%})$$

2 Media cost measures including cost per click and cost per thousand

Cost per click (CPC)
The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

The cost of visitor acquisition is usually measured as the **cost per click (CPC)** specific to a particular digital media channel, such as pay-per-click search engine marketing, since it is difficult to estimate for an entire site with many visitors referred from offline advertising.

Example: £2 CPC (500 clicks delivered from Google Ads costing £1,000).

Cost per thousand (CPM)
The cost of placing an ad viewed by 1,000 people.

Cost per thousand (CPM) (M = *mille*)is usually used as the currency when buying display ad space; for example, £10 CPM will mean that the ad will be served to 1,000 visitors (technically visitor sessions). An effective CPM can also be calculated for other media channels, such as pay-per-click advertising, for comparison.

3 Acquisition cost measures including cost per action or acquisition

A digital campaign is unlikely to succeed if it just meets its objectives of acquiring site visitors and customers but the costs are too high. It is essential to have specific objectives and accurate costing for using different digital media channels to achieve specific objectives and drive visitors to the site and convert to transaction. This is stated as the **cost per acquisition (CPA)** (sometimes cost per action). Typical cost targets include:

Cost per acquisition (CPA)
The cost of acquiring a new customer or achieving a sale. Typically limited to the communications cost and refers to cost per sale for new customers. May also refer to other outcomes such as cost per quote or enquiry.

Allowable cost per acquisition
A target maximum cost for generating leads or new customers profitably.

- cost per acquisition – of a visitor;
- cost per acquisition – of a lead;
- cost per acquisition – of a sale (most typical form of CPA, also known as CPS).

To control costs, it is important for managers to define a target **allowable cost per acquisition**, such as £30 for generating a business lead or £50 for achieving sign-up to a credit card. When the cost of visitor acquisition is combined with conversion to outcomes this is the cost of (customer) acquisition.

Example: £20 CPA (for £2 CPC, 10% conversion with one-in-ten visits resulting in sale).

4 Return on investment (ROI) or value measures

Return on investment is used to assess the profitability of any marketing activity, or indeed any investment. You will also know that there are different forms of ROI, depending on how profitability is calculated. Here we will assume it is just based on sales value or profitability based on the cost per click and conversion rate.

$$\text{ROI} = \frac{\text{profit generated from referrer}}{\text{amount spent on advertising with referrer}}$$

A related measure, which does not take profitability into account, is return on advertising spend (ROAS), which is calculated as follows:

$$\text{ROAS} = \frac{\text{total revenue generated from referrer}}{\text{amount spent on advertising with referrer}}$$

ROAS is more widely used for reporting since the profitability is challenging to calculate outside of retail sectors. So, in financial services, travel or B2B SaaS models, benchmarks of ROAS will be used to compare different campaign activities. Berry (2020) reviews typical benchmarks for ROAS suggesting that an average ROAS in Google Ads would be 4:1 or 400 per cent, however she notes that it varies widely by sector and the proportion of ad spend that is used in the Google Ad network.

5 Branding measures

These tend to be most relevant to digital advertising or sponsorship where impressions or opportunities to see are measured and compared between campaigns. They are the equivalent of offline advertising metrics, i.e. gross rating points (GRP, used in TV advertising), brand awareness (aided and unaided), ad recall, brand familiarity, brand favourability and purchase intent. These can be researched using holdout testing of display advertising where uplift in brand metrics for people exposed to ads is compared to a control group who haven't seen the ad. The research cost and complexity is too high for most businesses, so this technique isn't widespread. *Campaign* (Oakes, 2019) reported that less than a quarter of online ads were being measured for brand uplift.

6 Lifetime value-based ROI measures

Here the value of gaining the customer is not just based on the initial purchase, but the lifetime value (and costs) associated with the customer. This requires more sophisticated models, which can be most readily developed for online retailers and online financial services providers. The technique for the calculation of LTV was outlined in Chapter 6.

Example: A bank uses a net present value model for insurance products that looks at the value over ten years but whose main focus is on a five-year result and takes into account:

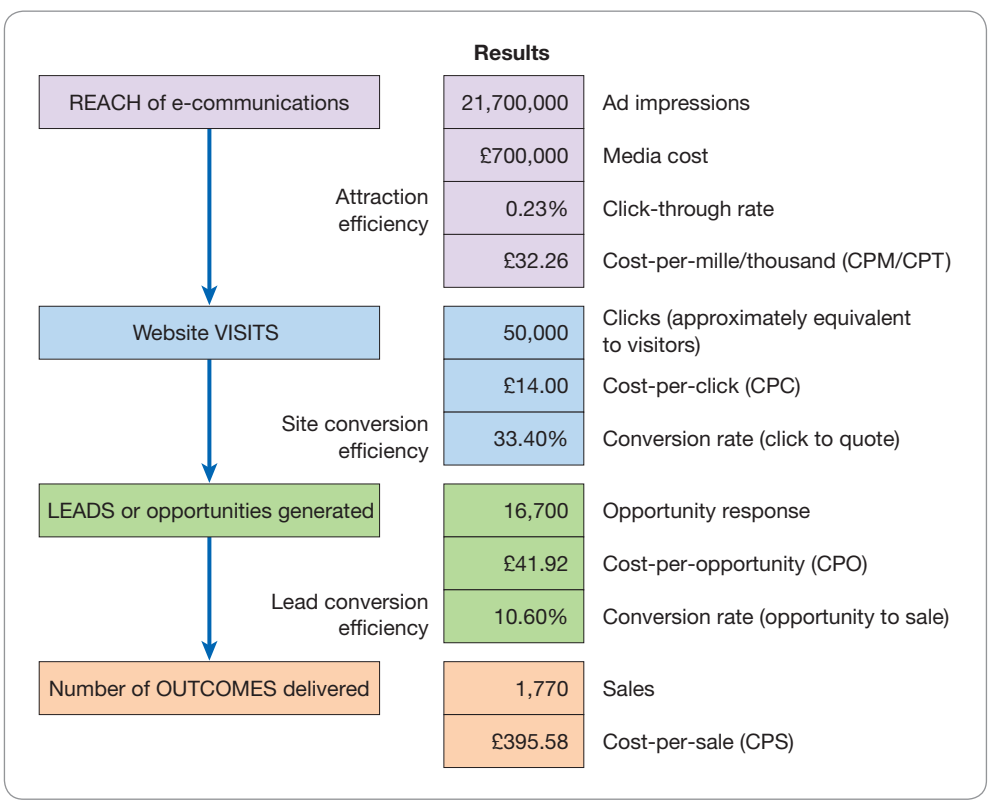
- acquisition costs;
- retention rates;
- claims;
- expenses.

This is valuable since it helps give the bank a realistic 'allowable cost per sale', which is needed to get a return over five years. They track this in great detail – for example, they will know the ROI of different Google Ads keywords and will then select keyphrases and bid strategies accordingly.

Figure 8.4 shows an example of an online ad campaign for an insurance product, placing many of the core volume, quality and cost measures covered in this section in context. Here an opportunity or lead is when a quote is requested. Note that the cost of acquisition is high but this does not take into account the synergies of online advertising with offline campaigns, i.e. those who are influenced by the ad, but do not click through immediately. These are sometimes known as **view-through** or 'post-impression' effects. Google Ads enables marketers to track view-through conversions to gain insight on how many people have viewed an ad and subsequently convert.

View-through
Indicates when a user views an ad and subsequently visits a website.

Figure 8.4 An example of effectiveness measures for an online ad campaign



Examples of digital campaign measures

An interactive marketing communications plan should have five main types of goals including:

1 **Audience or traffic-building goals.** These define targets to drive quality visitors or traffic to a website or other social presence that convert to the outcomes required (sales, lead, newsletter sign-up, social interaction) at an acceptable cost. These goals can be forecast using models of the number of visitors that can be attracted from different digital media channels such as search, social media or email marketing or traditional media channels such as TV, if relevant.

SMART
Specific, Measurable, Actionable, Relevant and Time-related.

Traffic building
Using online and offline site-promotion techniques to generate visitors to a site.

Here are some examples of **SMART traffic-building** objectives, which can be expressed as visitors, visits or sales:

- achieve 100,000 unique visitors or 200,000 visitor sessions within one year;
- deliver 20,000 online sales at an average order value of £50 and a cost per acquisition of £10;
- convert 30 per cent of existing customer base to active use (at least once every 90 days) of online service;
- achieve 10 per cent 'share of searches' within a market.

2 **Conversion or interaction goals.** Use onsite communications to deliver an effective message to the visitor that helps influence perceptions or achieves a required marketing outcome. The message delivered on site will be based on traditional marketing communications objectives for a company's products or services, such as:

- encourage trial (for example, achieve 10 per cent conversion of new unique visitors to registration or downloads of a music service such as Apple Music or Spotify);
- build in-house permission-based list (increase email database by 10,000 during year through data capture activities);
- encourage engagement with content (conversion of 20 per cent of new unique visitors to product information area);
- persuade customer to purchase (conversion of 5 per cent of unique new visitors);
- encourage further purchases (conversion of 30 per cent of first-time buyers to repeat purchasers within a six-month period).

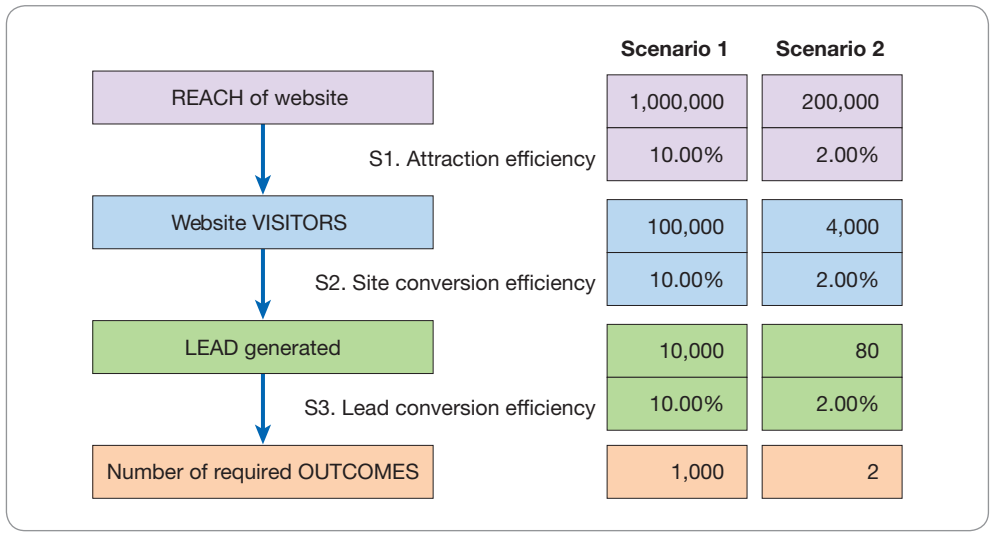
To estimate a realistic number of conversions, we recommend creating conversion-based spreadsheet models for forecasting, like that shown in Figure 8.5. Take, for example, the objectives of a campaign for a B2B services company such as a consultancy company, where the ultimate objective is to achieve 1,000 new clients using the website in combination with traditional media to convert leads to action. To achieve this level of new business, the marketer will need to make assumptions about the level of conversion that is needed at each stage of converting prospects to customers. This gives a core objective of 1,000 new clients and different critical success factors based on the different conversion rates.

If there are no products available for sale online, such as a luxury car manufacturer or a high-value B2B service offering white paper downloads, then it is less clear how to calculate ROI.

To get the most from campaigns that don't result in sales online and optimise their effectiveness, it is useful to put a value or points score on different outcomes – for example, in the case of the car manufacturer, values could be assigned to brochure requests (5 points or £20), demonstration drive requests (20 points or £100) or simply visits to the site involving reviewing product features information (1 point or £1). This approach is known as 'value event scoring'. Goal value can be applied to different outcomes in Google Analytics to achieve this.

Through knowing the average percentage of online brochure requests or demo drive requests that convert to sales, and the average order value for customers referred from the website, then the value of these on-site outcomes can be estimated. This is only an

Figure 8.5 Conversion marketing approach to objective setting for web communications



estimate, but it can help inform campaign optimisation, by showing which referring sites, creative or PPC keywords and pages visited on the site are most likely to generate desirable outcomes.

3 **Third-party site reach and branding goals.** Reach, influence and engage with prospective customers on third-party sites such as online news and magazine sites, portals and social networks:
   - reach a targeted audience of 500,000 during the campaign;
   - create awareness of a product or favourability towards a brand (measured through brand research of brand awareness, brand favourability or purchase intent through using an online brand-tracking service such as ScanmarQED, (**www.scanmarqed.com**).

4 **Multichannel marketing goals.** Integrate all communications methods to help achieve marketing objectives by supporting **mixed-mode buying**. Examples of mixed-mode buying objectives include:
   - achieve 20 per cent of sales received in the call centre as a result of website visits;
   - achieve 20 per cent of online sales in response to offline adverts;
   - increase average amount spent in-store for every active site visitor from £3 to £4;
   - reduce contact centre phone enquiries by 15 per cent by providing online customer services.

Mixed-mode buying
The customer's purchase decision is influenced by a range of media such as print, TV and internet.

5 **Longer-term brand engagement goals.** One of the biggest challenges of online marketing, indeed marketing through any channel, is to sustain long-term interactions leading to additional sales. These are measured through lifetime value, loyalty and customer interactions.

Customer engagement communication emphasises the importance of capturing and maintaining up-to-date customer details, such as email addresses and mobile phone numbers.

Campaign response mechanisms

Digital media have increased the choice of response mechanisms from campaign creative. Reviewing response mechanisms is important since too narrow may limit response, but too broad and unfocused may not give the right types of response – marketers need to emphasise the response types or customer journeys most favourable to the overall success of the campaign in their creative and messaging. Policies for response mechanisms across campaigns should be specified by managers to ensure the right approach is used for all campaigns.

Response mechanisms will naturally vary depending on type of product. So, brands such as fast-moving consumer goods brands do not have to drive visitors to their own site; through advertising and creating interactive microsites on third-party sites, they can potentially be more effective in reaching their audience, who are more likely to spend their time on online media sites than on destination brand sites.

Online response mechanism

The required response mechanisms should be specified in the digital campaign plan and the number of responses forecasted using a conversion-based model. Figure 8.6 suggests the typical options of outcomes to online campaign media. From the creative shown, using media such as a display ad, pay-per-click ad or rented email newsletter, there are five main options.

1 Home page

In the majority of cases, investment in online media will be wasted if visitors are driven from the **media site** to the home page of the **destination website**. Typically, it is appealing to many audiences and offering too much choice – it won't effectively reinforce the message of the online creative or convert to further action.

Media site
Typical location where paid-for ads are placed.

Destination website
Site typically owned by a retailer or manufacturer brand, which users are encouraged to click through to.

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

2 Microsite/landing page

A focused **landing page** or specially created microsite can more effectively convert visitors to the action to help gain a return on the online campaign investment. Figure 8.7 shows an example of a landing page giving a range of response mechanisms. This landing page is used as a click-through destination from Google Ads when someone is searching for digital marketing qualifications and targeted ads in LinkedIn. It's a dedicated landing page and the main call-to-action is an opt-in in return for free online lessons, which act as a sample. It's an example of a 'long-form' landing page for a complex, high-value service, so uses a longer page than traditional to explain the benefits and reassure about the brand, through testimonials. The copy for the calls-to-action focus on different reasons for registration, highlight the benefits and seek to reassure about the brand:

- Start learning for FREE. Join to access online video Marketing lessons.
- Ready to Enrol? Register to discuss best level for you & see payment options.
- Sign-up to get key course guide & syllabus sent to your Email inbox.
- Why are we (MMC Learning) in the best place to help you succeed?

Other offline CTAs include phone numbers and the option to chat to the team. The page also features an exit-intent pop-up, so when a visitor seeks to leave the page a light-box is served offering a free brochure.

Figure 8.6 Range of response mechanisms from online media

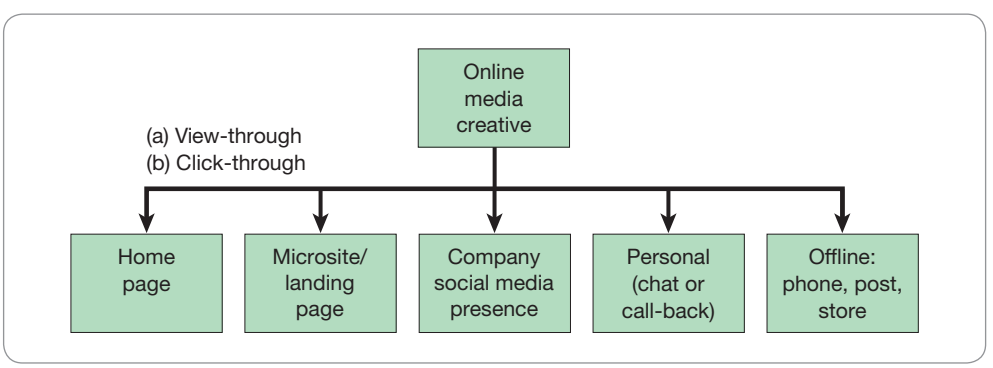
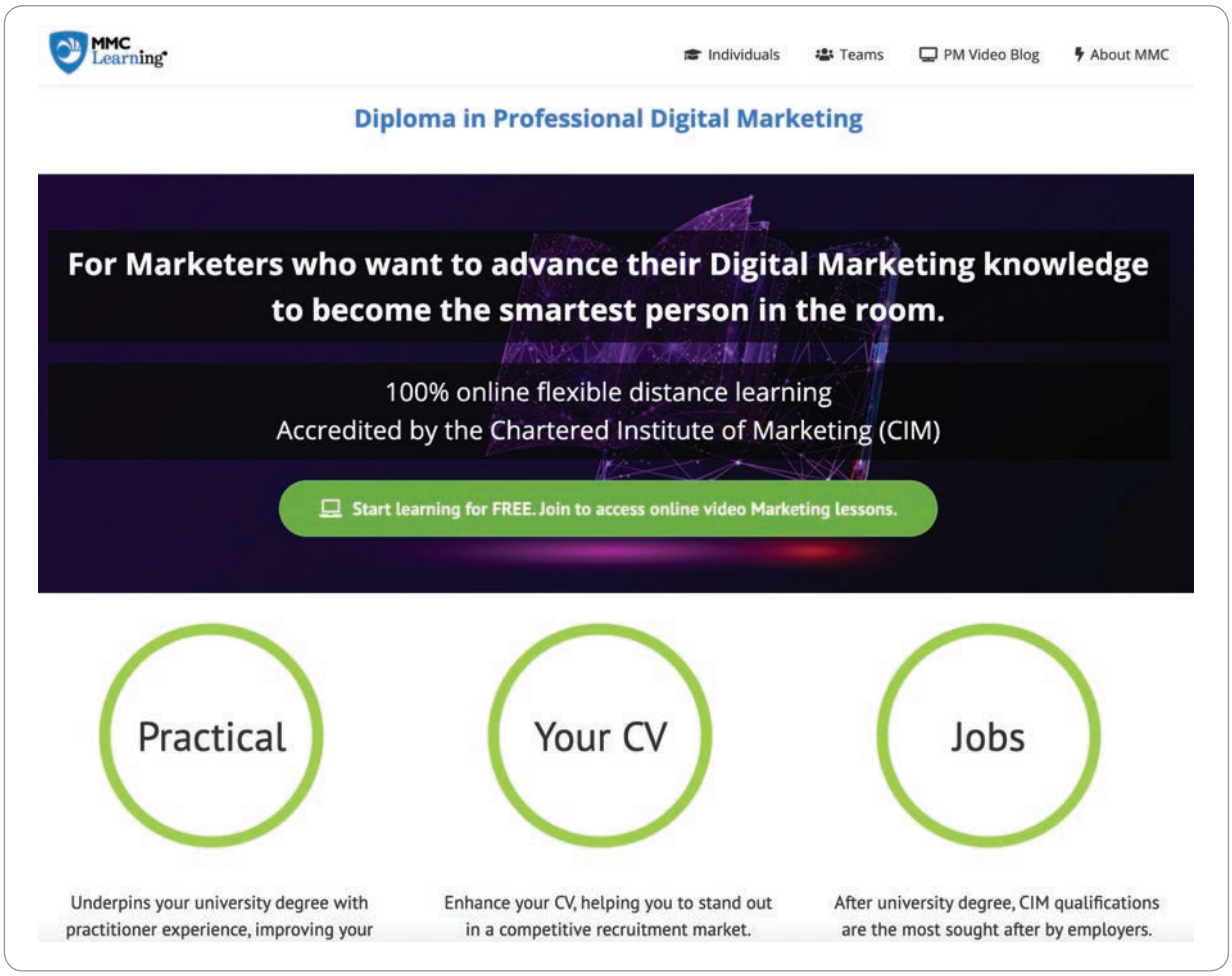


Figure 8.7 Alternative response mechanisms for a business-to-business landing page example



Source: MMC Learning (**mmclearning.com**)

URL strategy
A defined approach to how content is labelled through placing it in different directories or folders with distinct web addresses.

A '**URL strategy**' is used to make the page easy to label in offline creative. This specifies how different types of content on a site will be placed in different folders or directories of a website (this can also help with search engine optimisation). An individual destination page as in this case will use a deep link: **mmclearning.com/digital-marketing/qualifications/diploma-in-digital-marketing/**. A further example is where site owners have to make a decision on how to refer to content in different countries, either in the form:

https://<country-name>.<company-name>.com

or the more common:

https://www.<companyname.com>.com/<country-name>

Campaign URL or CURL
A web address specific to a particular campaign.

Campaign URLs or CURLs are less widely used today, the idea being that they will be more memorable than the standard company address and blend in with the campaign concept. For example, an insurer used the CURL **www.quotemehappy.com**, which represents memorable elements of the campaign. Also memorable is **www.subservientchicken.com** – a viral hit for Burger King where visitors could encourage a costumed chicken to dance in different ways. Another technique used to encourage viewers of print, TV and video ads to engage with a brand via their website is to encourage a Google search around the campaign. This also has the benefit that it can be tracked when searchers click on the organic or paid listings. Hashtags are another form of response mechanism available on social networks.

3 Company social media presence

It's a common technique for ads within social networks such as Facebook, Instagram, LinkedIn and Twitter to link directly to a social post or company page. These ads can potentially also link through to a website – both options are available. It's rare for ads on media sites outside of social networks to link to a social network since the communication messages and response can be better controlled on a website landing page. Hashtags are often used to reference campaigns shared via social media and are sometimes used in other media too (see Digital marketing insight 8.2).

4 Personal (chat or call-back)

Call-back service
A facility available on the website for a company to contact a customer at a later time as specified by the customer.

In this case the creative or landing page encourages campaign respondents to 'talk' directly with a human operator. It is usually referred to as a **call-back service** and integrates web and phone. Buttons or hyperlinks encourage a call-back from a telephone operator or an online chat. The advantage of this approach is that it engages the customer directly and will typically lead to a higher conversion-to-sale rate since the customer's questions and objections are more likely to be answered and the personal engagement is more likely to encourage a favourable impression. Automated solutions such as chatbots are increasingly being used as a mechanism for providing customer support and developing relationships. But care must be taken to ensure that the use of an automated solution delivers the required value.

Digital marketing insight 8.2 What's in a hashtag – #!?

No major campaign today is complete without a hashtag, but where did the trend start? Here's the timeline:

- August 2007 – Hashtags first proposed for use on Twitter.
- July 2009 – Twitter officially embraces the hashtag linking to a list of all tweets for anything proceeded by #.
- January 2011 – Instagram adds hashtag support.
- Spring 2011 – Twitter plays a role in the civil unrest of the Arab Spring; #Bahrain becomes one of the most used hashtags of all time.
- October 2011 – Google + begins automatically linking all hashtags in posts.
- January 2013 – Half of Super Bowl ads include a hashtag.
- June 2013 – Facebook begins supporting hashtags.
- October 2013 – Celebrity use of Twitter for ads (discussed in Chapter 3); the Advertising Standards Authority (UK) and the Federal Trade Commission (US) state that adverts made via a celebrity's Twitter page should incorporate the hashtag '#ad' or other indication of a commercial arrangement.

Since 2013 we've seen how hashtags can help make the connection between a social media concept and a campaign such as an offer or regular content.

Hashtags have also entered the mainstream media and can act as a focus of local or global campaigning for positive change. For example:

- #MeToo started with accusations of sexual harassment within the film industry.
- #Aufschrei – an outcry in Germany about inappropriate comments about women.
- #AintNoCinderella – Indian women's appeal to be free to go out at night.
- #NiUnaMenos and #NiUnaMas – against femicides in Latin America.
- #MyStealthyFreedom and #WhiteWednesday – Iran's women protest the mandatory dress code.

Moreover, social media has fundamentally changed the communication landscape and surpassed traditional media's (radio, television) capacity to engage audiences (Moe *et al*., 2016). Which are your favourite or memorable hashtags? A good way to investigate them is through searching on a brand in Twitter.

5 Offline: phone, post or store

If part of a campaign is run online it does not mean that offline responses should be excluded. Offline response mechanisms should not be discarded unless the cost of managing them cannot be justified, which is rarely the case.

Offline response goals for multichannel integration

Web response model
The website is used as a response mechanism for offline campaign elements such as direct mail or advertising.

We also need to include the right response mechanism for the offline media element of the campaigns such as TV ads, print ads or direct-mail pieces. The permission-based **web response model** is one that is frequently used today in direct marketing (Chapter 6). For example, this process could start with a direct mail drop or offline advert. A website landing page is used as the direct response mechanism, hence 'web response'. Ideally, this approach will use targeting of different segments. For example, a Netherlands bank devised a campaign targeting six different segments based on age and income. The initial letter was delivered by post and contained a PIN (personal identification number) that had to be typed in when the customer visited the site. The PIN had the dual benefit that it could be used to track responses to the campaign, while at the same time personalising the message to the consumer. When the PIN was typed in, a 'personal page' was delivered for the customer with an offer that was appropriate to their particular circumstances.

Step 2. Campaign insight

Client discovery process
An initiative to learn what a client or brand needs from a campaign, their strategic initiatives that it must align with, their goals and their marketing outcomes.

Research into the target audience and how they select products and services within the marketplace is core to a campaign planning approach. When a company is working with an agency, the marketer at the client company will incorporate initial customer insight into a brief as part of the agency completing a **client discovery process**. This will give agency staff valuable information about the audience and marketplace.

More detailed campaign insight will be accessed and analysed once the agency or internal team are working on the campaign. Large agencies use 'data planners' or 'customer communications planners' to review all available external data sources such as market, audience and internal data on customer profiles and past campaign results on the most effective channels in generating product sales to assist clients in strategic development and execution of campaigns. This data is then used to inform campaign targeting and media selection.

For example, a brief might specify that an FMCG client wants to run an online promotional campaign, with the goal of stimulating trial of products and adding to a prospect database through encouraging online registration. The campaign strategy or offer is based around offering daily prizes. The data planner involved uses all transactional data collected from previous similar campaigns to be linked to socio-demographic data, which is then coupled with transactional information.

Customer insight for digital marketing campaigns

There is a wealth of customer insight information available for digital marketing campaigns, but it varies by sector. So it is important during the briefing or pre-planning stage to list all the possible information sources and then evaluate which are worthwhile, since some are free and some are paid syndicated research. We highlighted many of the most important sources in Table 2.1.

Examples of the types of customer insight related to online competitor and audience behaviour that might be accessed at this stage in the campaign from third-party syndicated research sources include:

- **Site audience reach and composition.** What is the breakdown of audiences by age, gender or socio-economic group on different sites? This data is available from online audience panel providers such as Comscore™ and Nielsen™.

- **Online buying behaviour and preferences.** For example, audience panel services such as Comscore and Nielsen are able to analyse customer journeys to determine preferences for browsing and buying on desktop or smartphone, via retailers or direct with the manufacturer brand.
- **Customer media consumption.** The usage of different offline and online media for different target demographics can be reviewed with paid solutions from Nielsen and Comscore.
- **Customer search behaviour.** The proportion of different search phrases and their importance can be used to inform messaging.
- **Competitor campaign activity.** The activity of current advertising campaigns and previous seasonal campaigns – for example, in the United Kingdom this is available from **www.ebiquity.com**.
- **Competitor performance.** Services such as Similarweb or SEMrush give information on the audience size (reach) and referrers for competitor sites (such as search engine marketing or affiliate marketing).

Big Data is increasingly being used to provide market intelligence on insights into consumer and competitor behaviour. For example, Ebiquity™ is an independent market analytics company that helps businesses save money on advertising and promotions and improves ROI for marketers (**https://www.ebiquity.com/client-results/**).

Step 3. Segmentation and targeting

Campaign targeting strategy defines the target audience or types of people that you need to reach with your campaign communications. It's about defining, selecting and reaching specific audiences online. Targeting methods vary according to the market, campaign and digital communications tools involved. The key targeting issues to define for the online elements of a campaign are:

- quality of insight about customer or prospect available to assist with targeting;
- range of variables or parameters used to target – e.g. audience characteristics, value, needs and behaviours;
- identifying the targeting attributes or variables that will influence response;
- specific targeting approaches available for the key e-communications tools – e.g. online advertising, search engine marketing and email marketing.

The targeting approaches used for acquisition and retention campaigns will naturally depend on established segmentations and knowledge about customers. (We have also discussed targeting approaches from a strategic basis in Chapters 4 and 6.) From a campaign point of view, Table 8.3 shows some of the main targeting variables that can be reviewed in digital campaign planning. (See Table 4.3 for more detail on targeting variables.)

Let's look at each targeting variable in a little more depth:

1 **Relationship with company.** Campaigns will often be intended to target new contacts and/or existing contacts. But remember, some communications – such as offline ad campaigns, e-newsletters and email campaigns – will reach both. Marketers have to consider whether it will be cost-effective to have separate communications for new, existing and lapsed contacts – or to target each of these groups in the same communications but using different content aimed at each. Binet and Field (2017) note that research by the Ehrenberg-Bass Institute suggests it can be most effective for offline ad campaigns to reach both new and existing customers. They say:

> Byron Sharp, Director of the Ehrenberg-Bass Institute, has shown the primary driver of market share is penetration. The main way brands grow is by selling to more people: so the main way marketing communications drive growth is by increasing penetration,

Table 8.3 A range of targeting and segmentation approaches for a digital campaign

Targeting variable	Examples of online targeting attributes
1 Relationship with company	New contacts (prospects who haven't purchased), 'nursery' (new customers), existing customers, lapsed customers
2 Demographic segmentation	B2C: age, gender, social group, geographic location B2B: company size, industry served, individual members of decision-making unit
3 Psychographic or attitudinal segmentation	Attitudes to risk and value when buying, e.g. early adopter, brand loyal or price conscious
4 Value	Assessment of current or historical value and future value
5 Lifecycle stage	Position in lifecycle, related to value and behaviour, i.e. time since initial registration, number of products purchased, categories purchased in
6 Behaviour	Search term entered into search engine; interaction with content in websites, emails or social media affinity; responsiveness to different types of offers (promotion or product type); responsiveness to campaigns in different channels (channel preference); purchase history in product categories including recency, frequency and monetary value (Chapter 6)

and the biggest gains come from customer acquisition. Communications that target existing customers with the aim of improving loyalty or retention tend to have much smaller effects and these are short term. However, the most effective campaigns talk to everyone in the market. They talk to customers and non-customers; they increase penetration and loyalty.

When visitors click through to your website from online and offline campaigns, copy should be presented that recognises the relationship or, again, provides a range of content to recognise each different relationship or need.

2 **Demographic segmentation.** This is typically based on age, gender or social group. Online demographics are often used as the basis for sites to purchase display advertising or for renting email lists. Demographics can also be used to limit or focus who pay-per-click search ads are displayed to.

3 **Psychographic or attitudinal segmentation.** This includes attitudes to risk and value when buying – e.g. early adopter, brand loyal or price conscious. It is less straightforward to target on these attributes of a consumer since it is easier to buy media based on demographic breakdown. However, certain sites may be more suitable for reaching a particular psychographic audience. The psychographic characteristics of the audience are still an important part of the brief, to help develop particular messages. It is possible to collect attitudinal information on a site and add it to the customer profile. For example, financial services investment sites often ask investors to select:

- the type of investment preferred (e.g. individual stocks or mutual funds); and
- what type of investor best describes you (aggressive growth to more cautious).

4 **Value.** The higher-value customers (indicated by higher average order value and higher modelled customer lifetime values) will often warrant separate communications with different offers. Sometimes digital channels are not the best approach for these customers – relationship managers will want direct contact with their most valuable customers, while digital channels are used to communicate more cost-effectively with lower-value customers. It is also worth considering reducing the frequency of emails to this audience.

5 **Lifecycle stage.** This is very useful where customers follow a particular sequence in buying or using a service, such as online grocery shopping or online banking. As explained

in Chapter 6, automated, event-triggered email marketing can be developed for this audience. For example, online bank First Direct™ used a six-month welcome strategy based on email and direct mail communications. For other campaigns, the status of a customer can be used for targeting – for example, not purchased nor used service, purchased once, purchased more than five times and active, purchased more than five times and inactive, etc.

6 **Behaviour.** Behavioural targeting is one of the big opportunities provided by digital marketing. It involves assessing customers' past actions in following links, reading content, using online services or buying products, and then follows up on these with a more relevant message based on the propensity to act estimated on the previous action.

Online options for behavioural targeting can be illustrated by a travel company such as **lastminute.com**:

- *Pay-per-click search engine marketing* makes targeting possible according to the type of keyphrase typed when a potential customer searches for information. A relevant ad specific to a holiday destination the prospect is looking for – e.g. 'Hotel New York' – can then be shown.
- *Display advertising* makes behavioural targeting possible since cookies can be used to track visitors across a site or between sites and display relevant ads. If a site user visits the travel section of a newspaper site, then the ad about 'lastminute' can be served as they visit other content on this site, or potentially on other sites.
- *Email marketing* can be targeted based on customer preferences indicated by links they have clicked on. For example, if a user has clicked a link on a holiday in North America, then a targeted email can be delivered relevant to this product or promotion. More sophisticated analysis based on RFM (recency, frequency and monetary value) analysis (Chapter 6) can also be used.

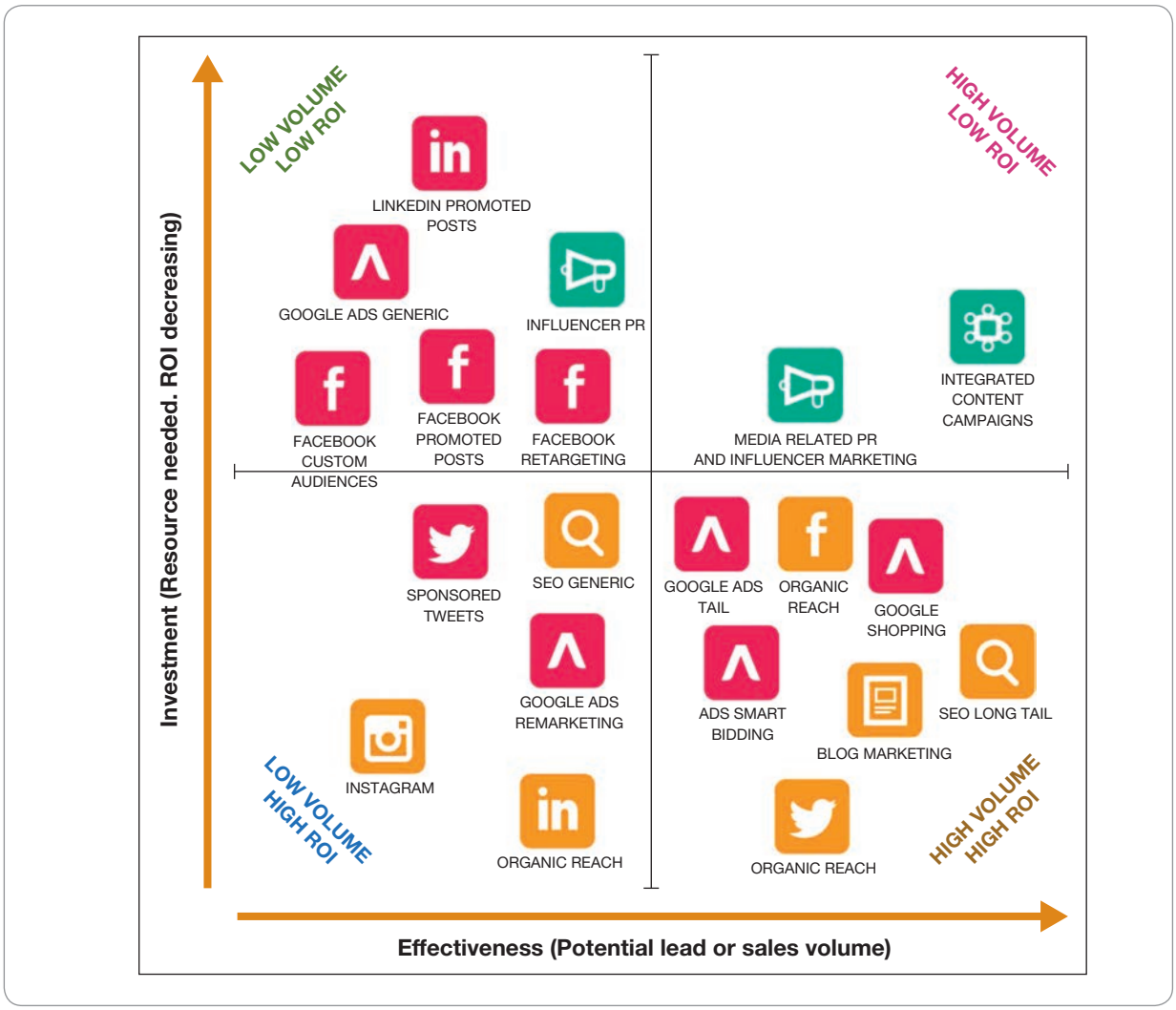
When reviewing the options for which variables to use, the campaign planner must keep in mind that those selected for targeting should be those that are most likely to influence the level of response for the campaign. It is possible to target on many variables, but the incremental benefit of targeting on additional variables may not be worth the cost and effort. Figure 6.8 indicates the general improvement in campaign response dependent on the type of targeting variables used.

Within digital media campaigns there are many options for targeting, which we will explore in more detail in the next chapter, such as:

1 **Targeting using search marketing.** Targeting via intent or the types of keywords people search with as they look for products, information or experiences.
2 **Targeting using display advertising.** As with targeting using traditional publications, targeting is possible using audience composition of different websites.
3 **Targeting using social media.** Each main social media platform offers opportunities for granular targeting, as shown in Figure 8.8 for Facebook. Similarly, LinkedIn enables targeting of LinkedIn members by location, company type and size, role, seniority and group membership.
4 **Targeting using affiliate marketing.** This will use a combination of search, display and social media techniques.

Figure 8.8 shows a tool related to content marketing aimed at helping marketers to review the effectiveness of different types of paid, owned and earned media to promote or distribute their content. Its aim is to review existing and potential use of different digital media in generating site visits, leads or sales compared to the level of investment in applying the media measured as paid media costs and the costs of marketing team members. Effectiveness will be dependent on different variables including degree of targeting, reach and response mechanism for different channels.

Figure 8.8 The Content Distribution Matrix: example of media effectiveness for one business



Source: Smart Insights (Marketing Intelligence) Ltd

It uses a similar 'gap analysis' approach to the Content Marketing Matrix (Figure 8.9) to compare current use of media to promote content against existing investment in content:

- **Step 1.** Evaluate current use of media for content distribution.
- **Step 2.** Review promotion gap against competitor or sector use of content distribution techniques.
- **Step 3.** Select and prioritise new methods of content promotion.

The four types of media shown on the matrix are:

- **Wasteful media (lowest volume, highest cost).** Your aim here should be to reduce costs through budget reallocation and/or efficiency improvements.
- **Slow and steady media (lowest volume, lowest cost).** The least important to act on, but you need to make sure you are not distracted by these. Here, the aim is to minimise costs and review potential of techniques for improvement.
- **High-cost volume-driver media (highest volume, highest cost).** You should aim to reduce costs and make efficiency improvements.

- **Star performers (highest volume, lowest cost).** The aim here is to add more focus in order to scale volume further.

  Companies use this template in combination with analytics or lead reporting systems to identify which media are driving volume and how cost-effective they are.

Step 4. Big idea, offer, message development and creative

Agencies seek to simplify the messages and offers to engage audiences by summarising their 'big idea' for a campaign after they have been briefed by a client to develop the campaign.

Campaign big idea
The overarching message or 'hook' that engages the audience and underpins all elements of a campaign in order to resonate with the target audience. The big idea should ideally be rooted in insight and linked to the campaign's objectives to ensure it has maximum impact and relevance.

We suggest that to be effective the **campaign big idea** needs to have strength in these areas:

- **Concept** – an original, relatable idea to engage the audience.
- **Creative** – distinctive creative such as a strapline, visuals or hashtag is needed for cut-through.
- **Viral element** – shareable via word of mouth or social media amplification.
- **Brand alignment** – the concept and creative must be on-brand to fit in with brand perception.
- **Brand value messages** – in addition to prompting brand awareness and recall, other brand metrics such as brand familiarity, favourability and purchase intent may be incorporated.

This big idea may be brought to life in the campaign as the strapline, hashtag or a visual concept, as shown by Mini case study 8.2.

Mini case study 8.2 #MorningWin: the belVita big idea

belVita, owned by Mondelez International, was looking to bring its breakfast biscuit to market in the United States at a time when there were many established direct competitors offering similar products. belVita knew that launching in such a competitive environment would be tough and therefore needed a big idea that could help it stand out from the crowd.

The simple insight used to inform the big idea was the discovery that $1 billion was spent every year to advertise the benefits of breakfast foods and therefore consumers were being bombarded with very similar messages. While most brands talked about mornings as a problem, belVita's own research revealed that consumers felt breakfast was very important because they wanted to accomplish a bigger goal in the morning. In other words, the morning was not a problem to be overcome but a fresh opportunity to accomplish things.

With the knowledge that many consumers want to start the morning positively and seize the day, belVita started moving towards the idea that its breakfast biscuits give people the energy to fuel a series of victories throughout the morning. The big idea was summarised as #MorningWin, a campaign to celebrate people's morning achievements.

The campaign positioned belVita as the brand that helps you do whatever you do in the morning because you know you'll have the energy to get it done. To drive cultural relevance of #MorningWin and amplify the campaign through culture, the brand created linked content across a range of channels, including TV, digital, radio and social, as well as leveraging morning radio shows, Tumblr and Buzzfeed to showcase unbranded content related to the campaign's theme.

Source: Llewellyn (2018)

Which factors affect campaign effectiveness?

Digital media often has direct response as the primary objective. Defining the right offer is vital to achieving these response objectives. But there are also likely to be brand objectives, to communicate the 'big idea' or concept behind the campaign or to position the brand. Indeed, research by Nielsen (2017) showed that across 500 consumer brand campaigns with traditional and digital components, the creative elements gave the biggest percentage sales contribution, which varied as follows:

- creative, 47 per cent;
- reach, 22 per cent;
- brand, 15 per cent;
- targeting, 9 per cent;
- recency, 5 per cent;
- context, 2 per cent.

The researchers noted that:

> The findings also highlight how media is playing a more important role than ever. Because of new breakthroughs in data and technology, the elements of targeting, reach and recency can significantly affect sales outcome of a campaign. In fact, the effect of media on sales has increased to 36% from 15% over the past 11 years.

In an online environment, there is very little time for the message to be delivered and the design and position of content on the page can influence the success of a message. Liu *et al*. (2011) discovered that visitors to web pages screen-out certain types of content: they respond more to visual information than text and if voiceover is used the viewer tends to fix their gaze on the image rather than the text. Eye-tracking studies, monitoring the gaze of website visitors, have also shown that the age, cognitive ability and gender affect the average gaze or dwell times. The average dwell time for a whole page may be shown to be more than ten seconds in Google Analytics, but a high proportion leave a website immediately and individual fixation times on page elements such as page headlines or ads are much lower, so it is important the message is succinct and powerful.

The implication for digital creative designers is that there should be a clear primary message related to the big idea, but its placement varies according to the delivery and type of digital media:

- **Paid search:** within the headline of the ad.
- **Organic search:** within the <title> tag and meta description tag (see Chapter 9).
- **Organic social media**: studies show that social posts with video and images have the highest engagement (see, for example, reports on post interactions reported in Socialbakers (2020)).
- **Email marketing:** within the subject line and the headline or title of the email, supported by images.
- **Display ads:** within the opening frame and possibly repeated in all frames.
- **Video:** the crucial initial hook shown by the headline and frame, with storytelling techniques important to maintain engagement with the ad.

The primary message should deliver relevance according to the context, so within paid search the primary message should be consistent with the search term entered by the user and should highlight the value proposition clearly. To successfully communicate an offer and message, marketers also need to ensure that the creative and copy helps achieve the five stages of information processing shown in Table 7.5 – i.e. exposure, attention, comprehension and perception, yielding and acceptance, and retention. Additionally, it is also important to consider that while the time spent looking at a single message is short, the cumulative time spent consuming digital content on a daily basis can be quite significant, which increases the opportunity to see a message.

Finally, it is also important to consider the objectives of the offer – for example, to capture attention, develop interest or stimulate action. This may involve a primary offer and

message; the creative needs to stimulate desire and action with the secondary offer and message, which:

- reassures prospects by giving a little more evidence of the offer or product benefits;
- convinces the sceptic and encourages them to click;
- can appeal to different types of people from the primary offer;
- again, should have a clear call to action.

Content marketing

We introduced the growing role of content marketing within digital marketing communications in Chapter 1. We believe that content marketing should be at the heart of digital marketing for all types of brands, because content fuels all the main digital marketing channels we use to communicate with our audiences. Search, social media, conversion rate optimisation and email marketing all require content that helps a brand increase its visibility, engage its audience and drives leads and sales. Within a campaign, selecting the right types of relevant and creative content is vital as the method of engaging the audience and generating demand, whether this is educational content as part of a business-to-business campaign or video content as part of a consumer campaign. The only case where the role of content is diminished is where the main campaign offer is a price cut, discount or sale.

Given the importance of content marketing, many businesses now look to develop a content marketing strategy as part of their digital marketing campaigns or always-on activities. As with all strategies, this will involve review of the current approach, setting specific objectives and developing strategies to create and share content. To review how content can best support digital marketing, Dave Chaffey (2021) developed the Content Marketing Matrix with Dan Bosomworth of Smart Insights. Activity 8.1 explains how this can be used to identify the right content types.

Activity 8.1 Using the Content Marketing Matrix to audit and improve content effectiveness

We recommend the Content Marketing Matrix (Figure 8.9) as a key technique to review current use of different content formats and to identify new types of content that could be useful for a business.

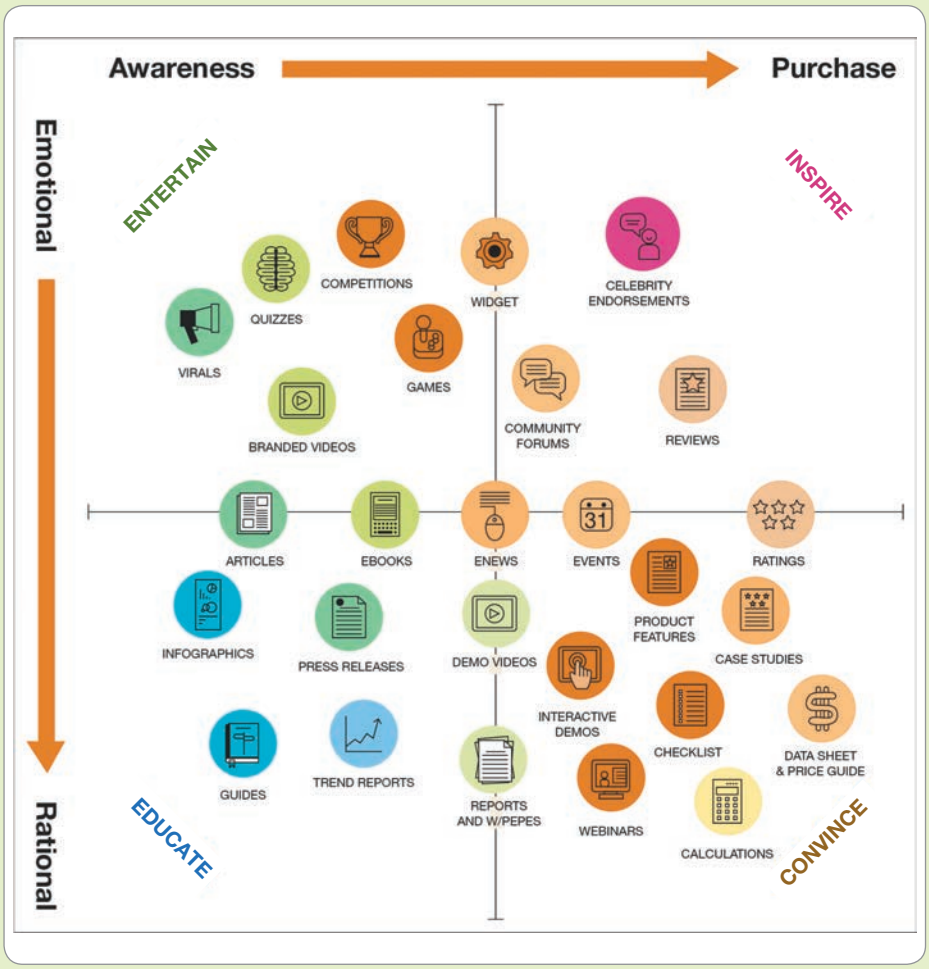
The matrix is structured to help you think through the dimensions of different content based on how an audience could find content valuable and what you're trying to achieve as a business. Content is plotted on the horizontal axis according to its approximate position from top to bottom of funnel (see Table 7.4) for an alternative visualisation. On the vertical axis, content is shown from more emotional creative at the top to more rational at the bottom.

Activity

Complete this process to review a company's use of different types of content to support marketing:

1. Review current use of content within the company through plotting different content types on the grid.
2. Repeat this review for two to three competitors (direct or indirect), again plotting on the grid.
3. Brainstorm future possible content types.
4. Define criteria for investing in content (e.g. generating reach, helping conversion, existing customers).
5. Use your criteria from Step 4 to prioritise the two or three types of content needed to trial in content campaigns.

Figure 8.9 The Content Marketing Matrix



Source: Smart Insights (Marketing Intelligence) Ltd

Selecting content or editorial themes for social media posting

With the advent of social media pages, companies now regularly post social media updates to engage their audience for goals of brand building and direct response. Socialbakers (2020) catalogues the dynamic between consumer brand interactions on Facebook versus Instagram. It notes that the total audience size of the 50 biggest brand profiles was 39 per cent bigger on Instagram than on Facebook, with much higher levels of interaction on Instagram (21.4 times higher for these brands). Regardless of the social network, defining a content or editorial calendar is useful to maintain engagement with followers and to meet communications objectives. Key messages and types of content to be shared can then be planned and scheduled in advance.

Table 8.4 shows a format devised by Dave Chaffey to set communication themes, which was used by Bonchou, a NYC gourmet éclairerie specialising in tasteful, creative éclairs. It has also been applied to B2B sectors, where themes include: thought leadership, trends and innovation, industry statistics, trade event summaries, case studies and featured customer stories. For each theme shown on the left, the goal of the theme is specified along with frequency, creative, and whether these integrate with a blog or could be featured in paid media or an e-newsletter. This format helps plan consistent social media activity and can be informed by reviewing competitor post updates using a similar format.

Table 8.4 An example of social media editorial calendar themes

Theme/update type	Goal of update type?	Frequency	Paid boost?	Blog integration	Creative and imagery	Hashtags
Brand message: Lightning Moments	Posts showing experience of the brand	Bi-weekly	No	No	Eating/pack shots	#LightningMoments #Indulge
Quotes	These posts will consist of highly shareable quotes that are in line with the brand voice and message	Weekly	No	No – but single post curating these	Quotes about food indulgence!	#Indulge!
Company owner	Post showing the passion and creativity of owner	Monthly	No	Founders' story Video interview	Pictures of founder	#Owner-name
Locations	Celebrate iconic places where we live and link to brand	Bi-weekly	No	No, unless there was a prize draw around these?	Make interactive with Guess where? Maybe Google Street View and a Wikipedia pic	#nyc, #lovenyc, etc
Seasons and days	Link enjoying pastries to different times of year/days	Monthly	No	N/A	Seasonal pictures	#Season #Day
Competitions	Increase reach and show availability in-store	Campaign	Paid	Embed into site and encourage email sign up	See right Get local partners to share	#competition
Product shots	Encourage purchase Show where to buy	Monthly	Paid	N/A	Use standard copy linking to where to buy	#Indulge
Recipes	These posts will show the audience how to make eclairs and other pastries (mostly French) at home	Occasional	No	Link to details on blog post	Food shots	#healthyrecipes #LightningMoments
Healthy indulgence	Show natural/pure ingredients product and link to indulgence	Monthly	No	N/A	Stock images of raw ingredients/ growing? With/without eclairs	#Natural #HealthyIndulgence #LightningMoments #Natural #Cleanlabel
We love France	Show link to French culture and food	Monthly	No	N/A	Places, people, share other examples from #lovefrance and similar	#LoveFrance #LightningMoments
Video – brand	Add a personal touch	Occasional	No	N/A	Vox-pops – interview people on the street about when/where they had lightning moment Cooking demos FB Live and similar videos for cut-through	N/A
Events	Encourage attendance	2x before event	No	N/A	Show location and pop-ups	#MeetUs

Step 5. Budgeting and selecting the digital media mix

Digital marketing campaign plans require three important decisions to be made about investment for the online promotion or the online communications mix. These are:

1. Level of investment in digital media as opposed to traditional media.
2. Mix of investment in digital media channels or communications tools.
3. Level of investment in creative for digital assets.

1 Level of investment in digital media techniques in comparison to offline promotion

A balance must be struck between online and offline communications techniques based on the strengths and weaknesses of the different media options. Figure 8.10 summarises the range of investment options from (a) dominant digital media spend, (b) similar traditional and digital media spend, to (c) traditional media dominant.

A framework for considering media characteristics that influence decisions on which to invest in has been developed by Coulter and Starkis (2005) and remains popular (see Activity 8.2). Offline media are often superior in generating attention, stimulating attention and gaining credibility. Online media tend to be better at engagement due to personalisation, interaction and support of word of mouth. The offer can also often be fulfilled online for products that can be bought online. However, there are limits to the number of people that can be reached through online media (a limit to the number searching on particular terms) and the cost is not necessarily always lower in competitive markets.

Econometric modelling

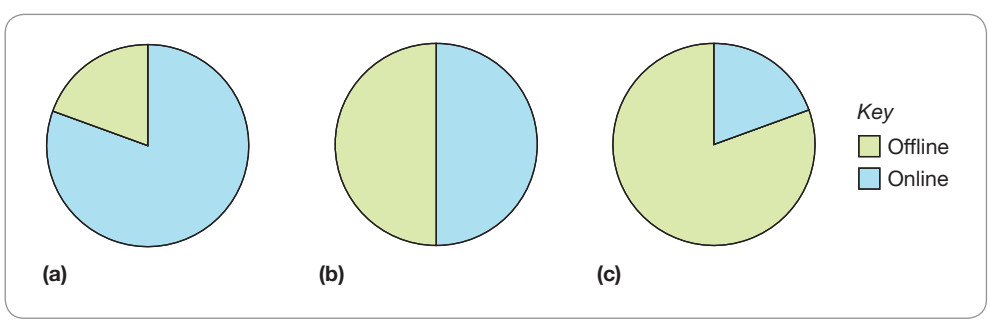
Econometric modelling A quantitative technique to evaluate the past influence or predict the future influence on a dependent variable (typically sales in a marketing context) of independent variables, which may include product, price, promotions, and the level and mix of media investments.

Econometrics or **econometric modelling** is an established approach to understanding the contribution of different media in influencing consumers and ultimately generating sales and profit. It can also be used in a predictive way to plan for future campaigns. It is increasingly used in integrated campaigns to assess the appropriate media mix.

One of its main benefits is its ability to separate the effects of a range of influences, such as offline or online media usage or other variables such as price or promotions used, and to quantify these individual effects. A simple example might be for the sales of a drinks brand:

$$
\begin{aligned}
\text{Sales} = 100 &+ \\
&+ 2.5 \times \text{own TVRs (television ratings)} \\
&- 1.4 \times \text{own price} \\
&+ 1.6 \times \text{competitor price} \\
&+ 1.0 \times \text{distribution} \\
&- 0.8 \times \text{temperature} \\
&- 1.2 \times \text{competitor TVRs}
\end{aligned}
$$

Figure 8.10 Options for the online vs offline communications mix: (a) online>offline, (b) similar online and offline, (c) offline>online



Activity 8.2 Frameworks for selecting media

Coulter and Starkis (2005) identified various factors when selecting media. Read this paper to understand what is meant by factors within each component and then suggest how each factor can be applied when selecting digital media and what key considerations you should make.

Quality

1 Attention-getting capability (Attention)
2 Stimulating emotions (Stimulation)
3 Information content and detail (Content)
4 Credibility/prestige/image (Credibility)
5 Clutter

Time

1 Short lead time
2 Long exposure time

Flexibility

1 Appeal to multiple senses (Appeal)
2 Personalisation
3 Interactivity

Coverage

1 Selectivity
2 Pass-along audience (Pass-along)
3 Frequency/repeat exposure (Frequency)
4 Average media reach (Reach)

Cost

1 Ad development/production cost (Development cost)
2 Average media delivery cost (Delivery cost)

The relative importance of these characteristics and the investment in different digital media will be dependent on the product and the type of campaign – whether it is direct-response-oriented or brand-oriented – and the scale of budget.

More recently, the research outlined by Nielsen (2017) of US consumer brand campaigns and by Binet and Field (2017) covering UK consumer brand campaigns have reviewed the variables that affect marketing effectiveness considering both digital and tradtional media.

Review these papers and summarise their findings for investment decisions in digital media integrated with traditional media.

Binet and Field (2017) summarise their findings as:

1 Broad-reach marketing campaigns that target new customers are still the best way to drive market share, which is in turn a key driver of profit. Campaigns act to remind previous purchasers about a brand, so encouraging repeat purchase, but aren't able to change perceptions based on experiencing a brand.
2 The inclusion of digital media in a campaign has increased the potential effectiveness of most forms of marketing, including traditional media.
3 For consumer brands that invest at the right level and in the right way, mass marketing remains effective, but with new options available to improve targeting.

4. Balancing long-term brand building and short-term activation is crucial. For consumer brands, around 60 per cent investment brand and 40 per cent activation is still the best combination. Brand-building advertising is most effective at creating awareness and brand favourability, leading to long-term benefits. Sales activation uses media directly to increase purchase intent by couponing. The Drum (Scott, 2019) reports in similar research from the same authors covering the B2B sector that a more balanced combination is appropriate.
5. Video advertising, both on- and offline, is the most effective brand-building form. TV is still the most effective medium, but online video makes it work even harder when integrated.
6. Paid search and email emerge as the most effective activation channels.

These relationships are typically identified using multiple linear regression models where a single dependent variable (typically sales) is a function of one or more explanatory or independent variables such as price, temperature or level of promotion.

Econometric models are developed from historic time-series data that record fluctuations dependent on different variables including seasonal variables, but, most importantly, variations in media spend levels and the mix of media. In econometrics, sales fluctuations are expressed in terms of the factors causing them.

2 Selecting the right mix of digital media communications tools

When selecting the mix of digital media for a campaign or longer-term investments, marketers will need to determine the most appropriate mix and they may make this decision based on their knowledge built up through experience of previous campaigns, and taking input from their advisers such as experienced colleagues or digital agency partners.

But digital media gives opportunities for structured evaluation including factors such as the ability of each medium to influence perceptions, drive a response, the cost of response and the quality of response – are respondents more likely to convert to the ultimate action such as sale? Lifetime value of different channels should also be considered. For example, some digital media channels such as affiliates are more likely to attract customers with a lower lifetime value who are more likely to switch suppliers.

If a business owner unfamiliar with digital media options asks 'where should I focus my investments in media for a campaign or always-on marketing?', the answer is, of course, 'it depends'. The ideal mix of media for a business to use will vary for different types of sectors, and the size of business, which will determine their budget for paid digital media. Regardless of sector or size, the advice of Binet and Field (2017) to balance long-term brand building with direct response or sales activation goals, as discussed at the start of this chapter, needs to be considered.

Digital media introduces many lower-cost options to complement or replace offline advertising, as indicated by Figure 8.11. The most suitable options for smaller businesses and startups focusing on earned and owned media are shown in the bottom two quadrants, with the top two quadrants focusing on paid media investment to drive reach.

Deciding on the optimal expenditure on different communication techniques will be an iterative approach since past results should be analysed by comparing effectiveness against costs (as shown in Figure 8.8) and adjusted accordingly. Marketers can analyse the proportion of the promotional budget that is spent on different channels and then compare this with the contribution from purchasing customers who originated using the original channel. First, **tagging** of customers can be used. Here, using specifically coded URLs or cookies, we monitor the numbers of customers who are referred to a website through different online techniques such as search ads, affiliate or banner ads, and then track the money they spend on purchases. Digital marketing insight 8.3 gives more details of how the Google Analytics tagging system should be used by marketers to review the effectiveness of digital media.

Tagging
Tracking of origin of customers and their spending patterns.

Figure 8.11 Recommendations for different types of offline media (blue) and digital media (green) suitable to achieve goals of direct-response and brand-awareness campaign goals for different budget size

	Direct response	Brand-building
Larger media budget	• TV and print ads • Direct mail • Multiple Google Ads campaigns • Google Ads Display Network • Programmatic display ads • Affiliate networks • Influencer networks • Multiple landing pages • Full-funnel content marketing	• TV and print ads • Out-of-home (OOH) ads • Sponsorship and endorsement • Public relations • Digital OOH ads • Large YouTube investment • Display network ads • Brand-led content marketing
Smaller media budget	• Local and niche TV & print ads • Limited direct mail • Organic search • Organic social media • Limited paid social ads • Brand PPC • Retargeting PPC • Limited affiliates • Limited landing pages • Top-of-funnel content marketing	• Public relations • Digital PR • Limited influencer marketing • Co-marketing • Limited YouTube ads • Similar audiences PPC • Viral campaigns • Organic social media • Limited paid social ads • Brand-led content marketing

Digital marketing insight 8.3 Campaign tracking in Google Analytics

Defining a standard set of online marketing source codes is essential to determining the value of different referral sources such as ad campaigns or email campaigns.

Many companies track Google Ads because of its automated integration enabled from Google Ads, but they may not track other codes or have a standard notation that needs to be defined and then added to all links involving media placements.

Google Analytics uses five standard dimensions for a campaign, which need to be incorporated into the query string of the URL for each ad placement as this example shows: **http://www.domain.com/landing_page.php?utm_campaign=spring-sale&utm_medium=banner&utm_source=<mediasitename>.com.**

The campaigns report in Google Analytics will then enable you to compare the value generated by different campaigns and media within them.

The meaning of each of the five dimensions is:

- **utm_campaign (Required).** The name of the marketing campaign, e.g. Spring Campaign.
- **utm_medium (Required).** Media channel (i.e. email, banner, CPC, etc.).

- **utm_source (Required).** Who are you partnering with to push your message, for example a partner site.
- **utm_content (Optional).** The version of the ad (used for AB testing) or in Ads. You can identify two versions of the same ad using this variable. This is not always used and is NOT included in the above example.
- **utm_term (Optional).** The search term purchased (if the link refers to keywords). This is not always used and is NOT included in the above example.

Many email and social media marketing tools now set these up automatically, but you can set them up manually – search for 'The Google URL builder' to see how to create these links.

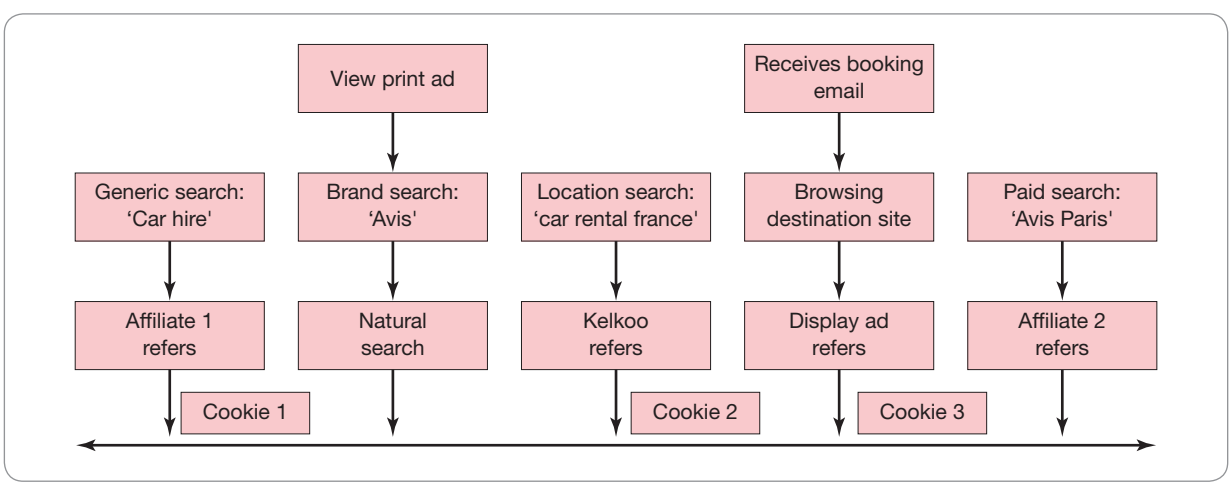
Digital attribution modelling to assess the influence on sales by digital media channel

With increasing investment in digital media, it becomes more important for marketers to understand the sequence of media touchpoints across multiple channels that influence purchase. It is seldom the case that a customer will go straight to a site and purchase, or that they will perform a single search and then purchase. Instead, they will commonly perform multiple searches and will be referred to the ultimate purchase site by different types of sites. An example of the multi-touchpoint customer journey is shown in Figure 8.12. This shows that someone looking to purchase a car may be referred to a site several times via different digital communications channels. The increase in individual behavioural data means greater measurability and ultimately more efficient digital advertising spend. According to Ghose and Todri-Adamopoulos (2016), based on analysis of mass consumer data sets 'mere exposure to display advertising increases users' propensity to search for the brand and the corresponding product', and their work also revealed that display advertising increased a shopper's likelihood of direct searching for the products and services they require (i.e., a visit to a particular website). In a multichannel trading environment, it is critically important to understand the efficiency and cost effectiveness of channels in order to maximise the effectiveness of a digital marketing strategy.

Last-click method of digital media channel attribution
The site that referred a visitor immediately before purchase is credited with the sale. Previous referrals influenced by other customer touchpoints on other sites are ignored.

A common approach to attributing the influence of different online media a customer consumes before purchase has been the **last-click method of digital media channel attribution**, which is the primary method of reporting on campaign effectiveness by tools such as Google Analytics and Adobe Analytics. For example, Adobe (2021) reported that during

Figure 8.12 Example of different referrers contributing to a sale for a car rental company



the US holiday season 2020 (the Black Friday and Cyber Monday period in November), the most effective channels influencing revenue according to the last-click method were:

- paid search, c. 25 per cent;
- direct traffic, c. 22 per cent;
- natural search, c. 20 per cent;
- email/newsletter, c.15 per cent;
- affiliates, c. 14 per cent;
- social networks, c. 3 per cent;
- display, c. 1 per cent.

These values are typical in the retail sector, showing that search, email and affiliate marketing are the most effective, with display and social network accounting for a surprisingly small proportion of conversions. Adobe (2021) notes that social networks and display are often considered awareness generators – combined they account for less than 5 per cent of revenue and only 1 in 10 visits.

While it can give useful insight on which channels are most effective, the last-click method has limitations as a method of determining the value of digital media. If you refer to Figure 8.12 you will see that the last-click approach would only assign credit for the sale to Affiliate 2. It wouldn't count the benefit of display advertising or the other channels, so it's not a realistic credit.

However, Lee explains that this can give a misleading picture of which marketing channels are effective. In an analysis of visitors to an airline site (Figure 8.13), he shows that although the overall patterns of referrers to the site at first appear similar, there are some major differences. If you refer to Figure 8.13 you can see that email marketing, SEO for non-brand terms and PPC for brand terms are more significant when looking at the contribution of all sources.

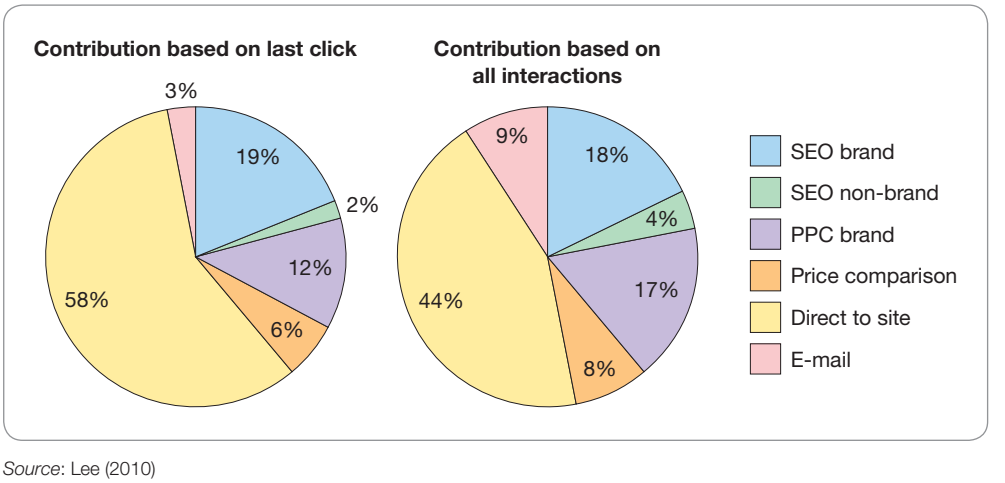
Digital media de-duplication
A single referrer of a visit leading to sale is credited with the sale based on the last-click method of digital media channel attribution.

Digital media 'assist'
A referrer of a visit to a site before the ultimate sale is credited with the sale, often through a weighting system.

Referring to Figure 8.12, you can see this has the benefit that we don't credit multiple affiliates with sale for affiliate marketing – only Affiliate 2 is credited with the sale, a process known as **digital media de-duplication**. But it has the disadvantage that it simplifies the reality of previous influence or **digital media 'assists'** and previous referrals influenced by other customer touchpoints on other sites are ignored, such as the natural search or display ad.

So, for the most accurate interpretation of the contribution of different media, the online marketer needs to use tagging and analysis tools to try to build the best picture of which channels are influencing sales and then weight the media accordingly. For example, in the context of Figure 8.12, a more sophisticated approach is to weight the responsibility for sale

Figure 8.13 Examples of the referring mix for an airline



Source: Lee (2010)

across several different referrers according to a model – so, just considering the affiliates, Affiliate 1 might be credited with 30 per cent of the sales value and Affiliate 2 with 70 per cent, for example. This approach is useful since it indicates the value of display advertising – a common phenomenon is the halo effect, where display ads indirectly influence sales by creating awareness and stimulating sale at a later point in time. These are sometimes known as 'viewthrough' or 'post-impression' effects.

These allocation approaches won't be possible if agencies are using different tracking tools and reporting separately on different media channels – for example, the ad agency reports on display advertising, the search agency on pay-per-click, the affiliate manager on affiliate sales. Instead it is important to use a unified tracking system that typically uses common tags across all media channels. Common unified tracking solutions that consider all media are available (e.g., from DoubleClick™ and some of the larger media agencies).

Further sophistication of tracking will be worthwhile for companies investing millions in digital media, in order to understand the customer journey and the contribution of media. A useful analysis to perform is in the form shown in Figure 8.14. This anonymised example shows the importance of display ads, for example, and how different channels support each other.

For some promotional techniques, tagging of links on third-party sites will not be practical. These will be grouped together as direct referrers. For word-of-mouth referrals,

Figure 8.14 Example of the sequence of visits to a site in generating conversions where two or more digital media channels were involved (codes for channels: D = Display, S = Search, X = Aggregator)

Channels	Sequence	% Conversions	Channel allocation
2	DS	34.01%	74.75%
	SD	20.98%	
	XS	8.35%	
	SX	7.33%	
	DX	2.24%	
	XD	1.83%	
3	DDS	7.74%	18.53%
	SDS	5.30%	
	SXS	3.05%	
	DXD	1.02%	
	DXS	0.81%	
	XSX	0.41%	
	SDX	0.20%	
4	SDSD	1.63%	4.48%
	DSDS	1.43%	
	DXDX	0.41%	
	DSDX	0.20%	
	DSXD	0.20%	
	DXDS	0.20%	
	DXSD	0.20%	
	SDSX	0.20%	
5	DSDSD	1.02%	1.43%
	SDSDS	0.41%	
6	DSDSDS	0.20%	0.61%
	SDSDSD	0.20%	
	SDSDXS	0.20%	
7	DSDSDSD	0.20%	0.20%

we have to estimate the amount of spend for these customers through traditional market research techniques such as questionnaires or asking at point of sale. The use of tagging enables much better insights on the effectiveness of promotional techniques than is possible in traditional media, but due to its complexity it requires a large investment in staff time and tracking software to achieve it. It is also very dependent on cookie deletion rates.

To see how a budget can be created for a digital campaign, complete Activity 8.3.

Activity 8.3 Creating a digital campaign budget

Purpose

To illustrate the type of budget created internally or by digital marketing agencies. Figure 8.15 shows an extract.

Activity

Download the spreadsheet from **www.davechaffey.com/spreadsheet** to understand how the different calculations relate to each other. Try changing the cost of media (blue cells) and different click-through rates (blue cells), for which typical values are shown for a competitive retail product. View the formulas to see how the calculations are made.

How would you make this model more accurate (i.e. how would you break down each digital media channel further)?

Figure 8.15 Spreadsheet template for digital campaign budgeting

Input parameter table

Overall budget	£10,000	Blue cells = input variables – vary these for 'what-if' analysis
Average order value	£50	Orange cells = output variables (calculated – do not overtype)
Gross profit margin	30.0%	

		Advertising		Search		Partners	
		Ad buys (CPM)	Ad network (CPM)	Paid search (CPC)	Natural search	Affiliates (CPA)	Aggregators
Media cost	Setup / creative / Mgt costs	£0	£0	£0	£0	£0	£0
	CPM	£10.0	£10.0	£4.0	£0.4	£10.0	£20.0
	CPC	£5.0	£5.0	£0.20	£0.20	£5.0	£10.0
	Media costs	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Total cost setup and media	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Budget %	10%	10%	30%	10%	10%	10%
Media impressions and response	Impressions or names	1,000,000	1,000,000	7,500,000	25,000,000	1,000,000	500,000
	CTR	0.2%	0.2%	2.0%	0.2%	0.2%	0.2%
	Clicks or site visits	2,000	2,000	150,000	50,000	2,000	1,000
Conversion to opportunity (lead)	Conversion rate to opportunity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Number of opportunities	2,000	2,000	150,000	50,000	2,000	1,000
	Cost per opportunity	£5.0	£5.0	£0.2	£0.2	£5.0	£10.0
Conversion to sales	Conversion rate to sale	100.0%	100.0%	100.0%	100.0%	50.0%	100.0%
	Number of sales	2,000	2,000	150,000	50,000	1,000	1,000
	% of sales	1.0%	1.0%	72.7%	24.2%	0.5%	0.5%
	Cost per sale (CPA)	£5.0	£5.0	£0.2	£0.2	£10.0	£10.0
Revenue	Total revenue	£100,000	£100,000	£7,500,000	£2,500,000	£50,000	£50,000
Costs	Cost of goods sold	£70,000	£70,000	£5,250,000	£1,750,000	£35,000	£35,000
	Media costs	£10,000	£10,000	£30,000	£10,000	£10,000	£10,000
	Total costs (inc media)	£80,000	£80,000	£5,280,000	£1,760,000	£45,000	£45,000
Profitability	Profit	£20,000	£20,000	£2,220,000	£740,000	£5,000	£5,000
	Return on investment	25.0%	25.0%	42.0%	42.0%	11.1%	11.1%

Source: Smart Insights (Marketing Intelligence) Ltd (www.smartinsights.com/conversion-model-spreadsheets)

3 Level of investment in digital assets

Digital asset
The graphical and interactive material that supports a campaign, displayed on third-party sites and on microsites. Includes display ads, email templates, video, audio and other interactive media.

The **digital assets** are the creative that support a campaign. They include:

- display ad or affiliate marketing creative such as banners and skyscrapers;
- microsites;
- email templates;
- video, audio and other interactive media, games or screensavers, which form campaign landing pages or microsites.

As with traditional media, there is a tension between spend on the advertising creative and the media space purchased to run the executions. There is a danger that if spend on media is too high, then the quality of the execution and the volume of digital assets produced will be too low.

Step 6. Integration into overall media schedule or plan

Integrated marketing
A planned approach to achieve communications goals by delivering consistent, coherent messaging, creative and branding to audiences across different channels and media placements. Creative treatments and interactivity should be designed to take advantage of specific channels such as social networks, email or websites to make them more effective.

In common with other communications media, digital media are most effective when they are deployed as part of an **integrated marketing** approach, which in the digital age is far removed from the traditional definitions of integrated marketing communications (IMC) that sought to coordinate broadcast and print media channels and eventually digital media, to deliver a clear and consistent message to achieve communication goals (Kotler *et al.*, 2001).

Digital media campaigns should be integrated to reach target markets, where individuals consume message content across multiple platforms (e.g. mobile, web, social media and combinations of all three), but also taking into consideration paid media (e.g. offline advertising, direct marketing), earned media (organic search, content marketing, PR) and owned media (social media, specific websites, email marketing) (Allen, 2017). Figure 2.1 shows how different media types can be integrated to develop a coherent integrated marketing campaign.

The complex challenge of integrating this digital tapestry can be simplified by focusing on the characteristics of each channel, and identifying its strengths, weaknesses and communication potential in relation to the message.

For example, Twitter has extensive reach, and is good for 'short, witty and pithy messages, while Pinterest is great for content related to design, and aspirational content works best on Instagram' (Allen, 2021).

Key activities in media selection and planning

The starting point for media planning, selection and implementation is to have clearly defined campaign objectives:

- For direct-response campaigns, the most important objectives are response volume, quality and cost.
- For campaigns where awareness and branding are the main outcomes, branding metrics become important.

Pickton and Broderick (2001) identify six activities in media implementation: target audience selection, media objectives, media selection, media scheduling, media buying and media evaluation.

A particularly important aspect for online media is that this evaluation and adjustment can – and should – occur during the campaign, in order to identify the best placements and creatives and to refine the ongoing media plan.

We recommend planning integration of activities through time by creating a campaign timeline, as shown in Figure 8.16. The main milestones for specifying, managing and

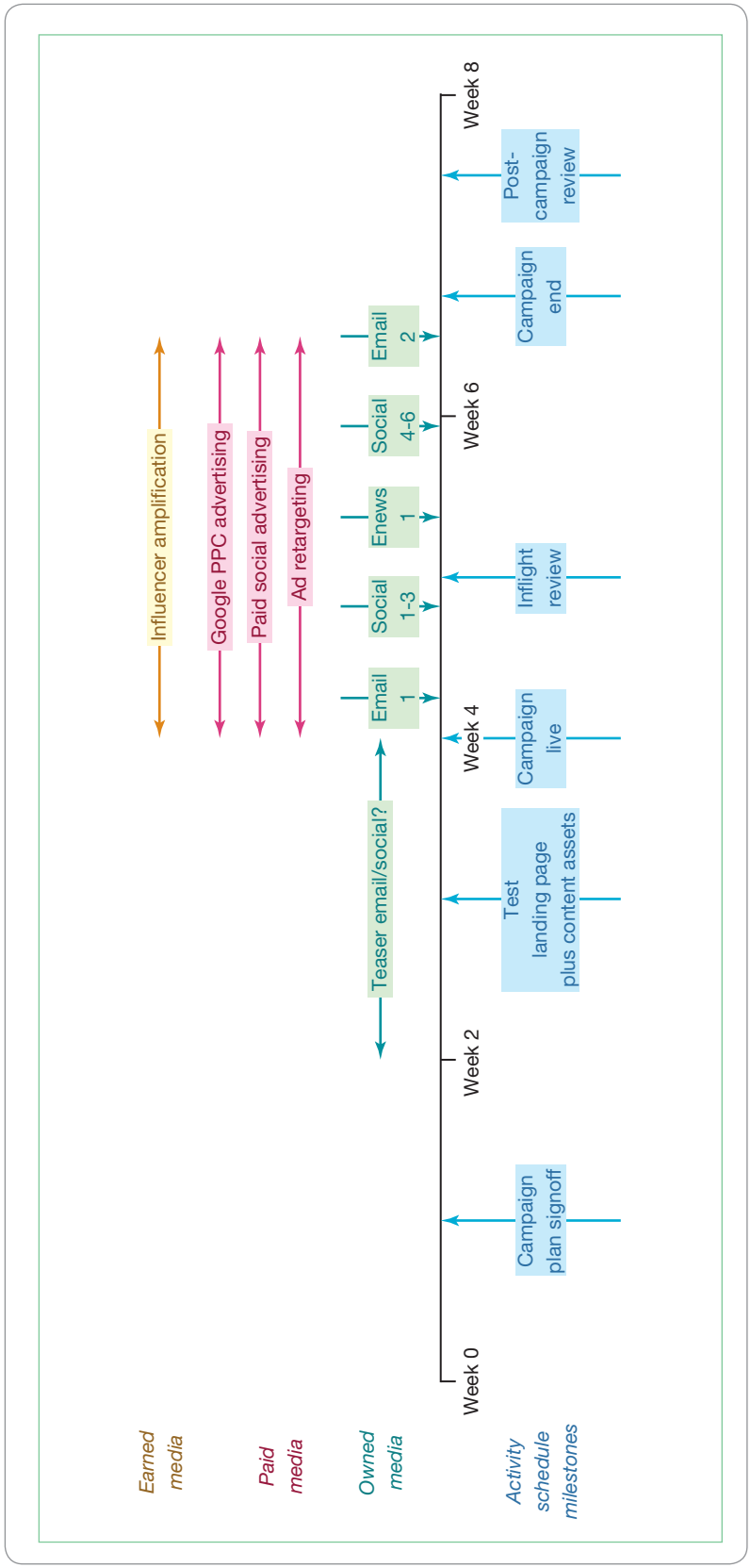


Figure 8.16 A sample timeline of integration of different communications tools through time

reviewing the campaign are shown below the timeline. Defining a campaign live date should be the starting point, and it's useful to work back from this date to check there is sufficient time for the planning, creation and testing of campaign assets before the live date. A Gantt chart can help 'sense-check' that it's realistic to achieve the milestones shown. Next, work forward from the live date so different campaign 'waves' can be scheduled; these communications are the vertical arrows used in the owned media section to denote different email and social media updates being used to engage the audience and explain the offer. Paid and earned media activities can also be scheduled. For each separate campaign wave, it's useful to highlight the aim of the communication, plus the engagement hook and or content asset to be used and how insight will be used to improve targeting.

Figure 8.16 shows how communications can be planned around a particular event. This planning will help provide a continuous message to customers. It also ensures a maximum number of customers are reached using different media over the period.

Finally, here are five questions about integration you must ask when creating a campaign:

1. **Consistent branding and messaging.** Is the branding and messaging sufficiently similar (coherent) throughout the campaign?
2. **Varying the offer, messaging and creative through the campaign.** Is offer and messaging varied sufficiently through the campaign? With each different medium and wave of the campaign, it can improve results to subtly vary the offer, message and creative. This might appear to conflict with the first guideline, but the two can be compatible, since:
   - different treatments and offers will appeal to different people and achieve different results;
   - if each communication in a campaign is identical, then future campaign waves will be ignored;
   - escalating or improving offers during a campaign can achieve better response.
3. **Frequency (number) and interval of communications.** Are you exposing the audience sufficiently or too much to your messages? This is a difficult balance to strike. In our view, some marketers often undercommunicate for fear of overcommunicating!

   With online media buys, it's also important to think about frequency as well as reach. Increases in frequency will usually increase awareness, as for any medium – though direct response will usually peak quite quickly before ebbing away.

   If you have defined touch strategies that mandate a minimum or maximum number of communications within a period – and the interval between them – you should check that your plans fit in with these or that they do not constrain your campaign.
4. **Sequencing of communications.** Of the options available, should you:
   - launch your campaigns online first;
   - launch your campaigns offline first;
   - launch your campaigns simultaneously online and offline?

   Here are some examples where your online and offline activities might not launch simultaneously:
   - a campaign for an event promotion starts with a direct mail or an email;
   - digital communications are reserved as contingency – in case offline response volumes are not high enough;
   - a promotion is launched online first (notified by email) to appeal to loyal customers;
   - an unusual ad execution is launched online first to create a buzz;
   - a press release is announced online first so that it can be transmitted by particular advocates;
   - a timed or limited offer is launched online, because timing of receipt can be more accurately assured.
5. **Optimising timing.** Do communications get delivered and received at the optimal time? For online display advertising, PPC and email marketing there are specific times of the day, days of the week or times of the month that your message will work best.

Case study 8 Global Action Plan: campaigning for a better world

Global Action Plan UK (GAP, **Globalactionplan.org.uk**) is a charity formed in 1993 that aims to help people live more sustainable lives by connecting what is good for individuals (health and well-being) with what is good for the planet (environmental action). They have a simply stated Vision and Mission to communicate their aims:

- **Vision**: A green and thriving planet where people enjoy their lives within the earth's resources.
- **Mission:** Inspiring change by making connections between what is good for us and what is good for the planet.

GAP recognises that to achieve change requires radical change in society and business beyond actions consumers may take. It also requires policy makers in governments to change their approach, and that businesses will need to take action too:

> *The climate and ecological crisis calls for a radical rethink about how we live our lives. Conversations about plastic straws aren't going to crack it. To see response at the required scale we need to mobilise government, business, the media and the public to all step up to play their part.*
>
> *We bring people together to inspire each other to go further and exert their voice to ensure policy makers and organisations play their part. We tackle issues which require the mobilisation of mass movements in order to see change. And which demand fundamental conversations about how we live our lives. These issues are united in their need for radical change and solving them would be good not only for our planet but also for us.*

GAP UK has four principles that govern how it operates, which are featured in its Trustees report:

- *We challenge the norm* – Radical change is needed – not incremental tweaks. We dare to think big and re-imagine how we live and work; to bring about real shifts in human behaviour and tackle systemic issues not symptoms.
- *We get stuff done* – We work hard to have a real impact in everything we do. We aren't happy with talk, we want action, today.
- *We share openly* – We are honest, straight talking and open. Whether data, ideas, projects or tools we seek to share and collaborate for bigger impact.
- *We look out for employees* – We believe that what is good for us is good for the planet, and vice versa. We advocate for change to benefit the most vulnerable and avoid scaremongering whenever we make the case for action.

Campaigning activities

To help support change, GAP has defined two building blocks around which campaigning activities are devised, the Compassion not Consumerism Movement and the Clean Air Movement. Consistency in communications is controlled through brand guidelines, which are flexible enough to work across print and online communications (social media and email). Tone-of-voice guidance isn't used, however.

Within the Compassion not Consumerism Movement campaigns have included:

- **Dirt is Good** – Working with Unilever as the thought leadership partner for Persil's Dirt is Good project.
- **Transform our World** – an online, centralised, quality-rated resource hub to help teachers to bring environmental action into the classroom, supported by the #iwill campaign.
- **#Idontbuyit** – the campaign calls out the forces that drive hyper-consumption and exposes the marketing techniques that are harmful to young people and the planet. #Idontbuyit supports young people and parents to challenge the pressure to consume and aims to help individuals 'build a resilience to our toxic culture of looks, likes and shopping'. In 2010 an Instagram campaign created 5,000,000 impressions or opportunities for teenagers to see content related to the campaign.

Within the Clean Air Movement campaign activities include:

- **Clean Air Day** – the United Kingdom's largest air pollution campaign, engaging thousands of people at hundreds of events, and reaching millions more through the media. It is promoted via a microsite (**Cleanairhub.org.uk**). In 2014, Clean Air Action Day aimed at motivating drivers to switch their engines off, resulting in #noidling trending on Twitter. In 2019, 400,000 participants got involved in Clean Air Day and 600 events were held around the country. 250 official supporter organisations and 3,700 participating organisations came together to work on air pollution. 20,000 news and broadcast items carried Clean Air Day stories, with an equivalent advertising value of £11 million. Media coverage included live interviews on Sky and BBC Radio, articles in *The Times* and *Daily Express* and a raft of local stories. Online, print, broadcast and social media coverage (380 million opportunities to view) provided more than 1 billion opportunities to view and learn about air pollution.

- **Air Pollution Calculator** – encourages people to work out their individual contribution to air pollution in the United Kingdom and find out what they can do to reduce emissions and protect their health.
- **Business for Clean Air** – developed by the Business for Clean Air Taskforce, Business for Clean Air (BfCA) is a voluntary initiative that companies can join to signal their commitment to addressing air pollution.
- **Cycle21** – The campaign hook was that it takes 21 days to build a habit, according to Phillipa Lally, a health psychology researcher at UCL. The Youth Panel at Global Action Plan created the challenge and campaign with this in mind.

The Cycle 21 campaign plan

Additional details on the campaign plan developed by the GAP UK Youth Panel are structured around the campaign planning structure recommended in this chapter.

1. Campaign aims and objectives

Vision:

- Develop a community of young cyclists who do their part for themselves and the planet.

Mission:

Provide young people with the tools and resources to adopt a cycling-based lifestyle.

SMART goals for the campaign include:

- **Specific:** Aim to encourage more 18–35-year-olds to adopt a cycling-based mindset through a 21-day challenge.
- **Measurable:** Number of PDF (toolkit) downloads, social media & Strava engagement, follow-up survey, potential giveaway.
- **Achievable:** Developing content over extensive time frame, launching in April 2021 (plenty of time to plan). Gantt chart for responsibilities.
- **Relevant:** Current climate of COVID-19, survey results suggest there is a lack of knowledge around cycling and an interest.
- **Time bound:** Main campaign aims to take place in 21 days in May, with pre-launch of toolkits/social promo in month prior.

2. Audience insight and targeting

SMART goals to engage and involve the audience to take action include:

- **Specific**: To get into cycling and adopt a cycling-based mindset through a 21-day challenge.
- **Measurable**: An increase in confidence (cycling), how far you progress through the challenge (even getting a bike!).
- **Achievable**: Taking on bitesize challenges and prompts through the calendar of challenges.
- **Relevant**: Current climate of COVID-19, survey results suggest there is a lack of knowledge around cycling and an interest.
- **Time bound**: Main campaign aims to take place in 21 days in May, with pre-launch of toolkits/social promo in month prior.

3. Segmentation and targeting

The main target audience are students and young professionals.

To achieve campaign reach at relatively low cost, partners to be used include: bike-related businesses, and universities and student unions, including cycling clubs, to display posters and encourage involvement.

4. Offer and message development

The campaign 'big idea' was to link 2021 to a 21-day challenge to get young professionals and students cycling to work or university.

The content marketing to support this was a 21-day calendar with ride prompts, tips and resources for beginner cyclists.

The calendar finished on 21 May, Cycle to Work Day, with participants having gained the experience and skills to commute to work or university on their bike.

Interactive social media challenge was used through the '#Cycle21challenge' with a Strava group (Strava is an app used by cyclists and runners to track their training) to log collective distance of all involved.

5. Budgeting and selecting the media mix

The campaign was developed by the Youth Panel of GAP so didn't have the budget of larger campaigns. Much of the offline and online media was generated by the partners. A press release was developed to gain exposure in media outlets.

A small budget was available for targeted advertising on Instagram to encourage participation.

Note: Global Action Plan is a separate organisation to GAP International **Globalactionplan.com**.

Sources: Charity Commission (n.d.); GAP (n.d.)

Questions

1. Which techniques does GAP use to ensure the consistency and effectiveness of its campaign communications?
2. How does GAP encourage change through seeking to influence different types of stakeholders?
3. Using the example of the Clean Air Day, #Idontbuyit, Cycle 21 or other campaigns, assess the media mix used to reach and influence audiences and how their effectiveness is assessed.

Summary

1. Key characteristics of interactive communications are the combination of push and pull media, user-generated content, personalisation, flexibility and, of course, interactivity to create a dialogue with consumers.
2. We reviewed these elements of a digital marketing communications plan:
   - **Step 1. Goal setting and tracking.** These can include goals for campaign volume (impressions, unique visitors and visits), quality (conversion to value events), cost (including cost per acquisition) and profitability.
   - **Step 2. Campaign insight.** Information to feed into the campaign plan includes potential site audience reach and composition, online buying behaviour and preferences, customer search behaviour and competitor campaign activity.
   - **Step 3. Segmentation and targeting.** Key segmentation approaches are relationship with company, demographic segmentation, psychographic or attitudinal segmentation, value, lifecycle stage and behaviour.
   - **Step 4. Big idea, offer and message development.** Includes identification of 'big idea', primary and secondary offers, and supporting content and editiorial themes shared through social media updates.
   - **Step 5. Budgeting and selecting the digital media mix.** Should be based on forecasts based on conversion models, reviewing all the digital media channels.
   - **Step 6. Integration into overall media schedule or plan.** The campaign activities should be summarised on a timeline.

Exercises

Self-assessment exercises

1. Review the reasons why continuous marketing activity involving certain digital media channels is preferable to more traditional burst or campaign-based activity.
2. Describe the unique characteristics of digital media in contrast to traditional media.
3. Review the options for targeting particular audience groups online with different digital media.
4. How should a company decide on the relative investment between digital media and traditional media in a marketing campaign?
5. What are the options for integrating different types of digital media channels with traditional media?
6. What are the issues that a marketer should consider when defining their offer and message for an online campaign?

Exam and discussion questions

1. Outline the range of goals that should be used to define success criteria for modern marketing campaigns.
2. Discuss the options a business-to-business company could use for targeting an audience through social media.
3. Assess why integration between online and traditional media might make a campaign more effective overall.
4. Describe different options for testing the effectiveness of competing offers online.
5. Evaluate the potential value of incorporating a mobile 'text-to-win' promotion into an offline campaign.
6. How should businesses gain the correct balance of investment in always-on customer lifecycle communications and campaign-based communications?

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter cover sites focusing on planning, analysis and examples of campaign activities.

9 Marketing communications using digital media channels

Learning objectives and topics

After reading this chapter, you should be able to:

- Distinguish between the different types of digital media channels and understand practical success factors to make them effective
- Evaluate the advantages and disadvantages of each digital media channel for marketing communications
- Assess the suitability of different types of digital media for different purposes

These learning objectives are covered for each of these channels:

- Search engine marketing (organic search and paid search)
- Digital public relations and influencer relationship management
- Digital partnerships including affiliate marketing
- Digital display advertising
- Digital messaging including email marketing and mobile messaging
- Social media and viral marketing
- Offline promotion techniques

Case study

Case study 9: Smart Insights: how content strategy fuels inbound marketing to grow an online B2B service

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 1 introduces the main options for communications across paid, owned and earned digital media types.
- Chapter 8 reviews how to plan campaigns that use digital media channels. The section towards the end of the chapter on 'Selecting the right mix of digital media communications tools', in 'Step 5. Budgeting and selecting the digital media mix', is particularly relevant.
- Chapter 10 also considers the measurement of communications effectiveness.

Introduction

Digital media channels Online communications techniques using paid, owned and earned media to achieve goals of brand awareness, familiarity and favourability, and to influence purchase intent by encouraging users of digital media to visit a website or mobile app to engage with the brand or product, and ultimately to purchase online or offline through traditional media channels such as by phone or in-store. The six main channels include search engine marketing, social media marketing, email marketing, display advertising, public relations and partner marketing.

With the increased adoption of digital devices by consumers and businesses, **digital media channels** have become more important for communications, both for campaigns and always-on communications. Digital media channels can be used both for direct response and brand building, as discussed in Chapter 8. The use of digital media for direct response is sometimes known as 'traffic building' since communications techniques are selected to increase website visitors to achieve the marketing outcomes that are important for a business.

Choosing the most cost-effective digital communications techniques and refining them to attract visitors and new customers is now a major marketing activity, for both online and multichannel businesses. In this chapter we explain the differences between the different digital channels and review the strengths, weaknesses and practical success factors for using the communications techniques.

Taking search marketing as an example, there are many technical 'best practices' for both organic and paid search marketing, which will make a business's use of Google more or less successful. We introduce these, so that marketers who may not be digital marketing specialists understand the principles in order to discuss implementation with digital marketing specialists they are working with, or to find more information from specialist sites focusing on these topics.

How is this chapter structured?

This chapter is structured around the six main digital media channels we recommend businesses should consider, which we have summarised in Table 9.1 (Figure 1.11 gives a graphical introduction). As emphasised in previous chapters and highlighted by Case study 9, a content marketing strategy is an important success factor for effective use of these channels. This involves specifying and creating the right types and formats of content to engage different audiences at different points in the buying process. Quality content is the 'fuel' that powers many of these channels and enables an organisation to gain cut-through compared to competitors.

For easy comparison of the different techniques and to assist with assignments and revision, we have structured each section the same way:

- **What is it?** A description of the digital media channel.
- **Advantages and disadvantages.** A structured review of the benefits and drawbacks of each channel.
- **Best practice in planning and management.** A summary of the issues such as targeting, measurement and creative that need to be considered when running a campaign using each digital channel. This expands on the coverage given in the previous chapter on these issues.

As you read each section, you should compare the relative strengths and weaknesses of the different techniques and how consumers perceive different options in terms of trust. In the final section, we summarise their strengths and weaknesses for different applications.

The importance of each of these digital media channels in driving visitors will vary from company to company, but to give you an indication of how important they are on average see Digital marketing insight 9.1. You can see why search engine marketing is an important channel, and this is why we start our coverage in this chapter with SEM. You can also see that direct traffic is high, reflecting the importance of visits driven by traditional channels or visits from email or social networks that are not being tracked separately. You can also see that links or referrals from other sites are also quite significant.

Table 9.1 Summary of different digital media channels

Digital media channel	Description	Different communications techniques
Search engine marketing (SEM)	Gaining listings for target keywords in the search engine results pages of the major search engines, Google, Bing, YouTube and popular country-specific engines; also includes advertising on third-party publisher sites, which are part of the search display networks, to generate awareness and for remarketing	Organic search or search engine optimisation (SEO) is aimed at gaining visibility on page 1 of the organic listings, which do not attract a fee per click; based on on-page optimisation and link building Paid search or pay-per-click (PPC) involves advertising using Google Ads, for example
Digital public relations (PR) and influencer relationship management	Using influencer outreach to maximise favourable mentions of your company, brands, products or websites on third-party sites such as media sites, social networks or blogs that are likely to be visited by your target audience; also includes monitoring and, where necessary, responding to negative mentions and conducting public relations via a site through a press centre or blog, for example	Influencer outreach to co-create content and press releases to gain positive mentions, managing reputation on third-party sites, particularly forums and social networks Use of owned media – own-company feeds, blogs Blogger and influencer outreach for earned media
Digital partnerships including affiliate marketing and co-marketing	Creating and managing long-term arrangements to promote your online services on third-party websites or through email communications; different forms of partnership include co-marketing, link building, affiliate or performance marketing, aggregators such as price comparison sites, online sponsorship and co-branding	Commission-based affiliate marketing for transactional e-commerce sites Creating long-term partnership relationships such as sponsorship, link building or joint editorial
Digital display advertising	Use of online display ads such as banners and video ads on publisher and social network sites to achieve brand awareness and encourage click-through to destination sites	Programmatic advertising Site-specific media buys Use of ad networks Behavioural retargeting or remarketing based on action
Digital messaging including email marketing and mobile messaging	Using legal, permission-based emailing to prospects or customers who have agreed to receive emails from an organisation; Solus emails can be booked, where a publisher sends an email on behalf of a brand or the brand can be featured in an e-newsletter; companies can build up their own 'house list' containing customer or prospect details, and company emails encourage purchase	Acquisition email activity including list rental (rarely permitted by law today), co-branded publisher campaigns, advertising in e-newsletters Retention and growth activity, e.g. house list for e-newsletters and customer email campaigns Marketing automation of event-triggered email lifecycle activity
Social media marketing including viral and electronic word-of-mouth marketing	Organic social media marketing (covered at the end of Chapter 6) is online word of mouth – compelling brand-related content is shared, forwarded or discussed electronically or discussed offline to help achieve awareness and, in some cases, drive response; paid social advertising involves paid ads for awareness or retargeting to support conversion goals	Branded presence of company page or advertising on social network Creating 'viral agents' or compelling interactive content Encouraging amplification of viral messages Use of social ads as explained in this chapter Using customer advocacy effect Widget marketing

Digital marketing insight 9.1 How balanced is your referrer mix?

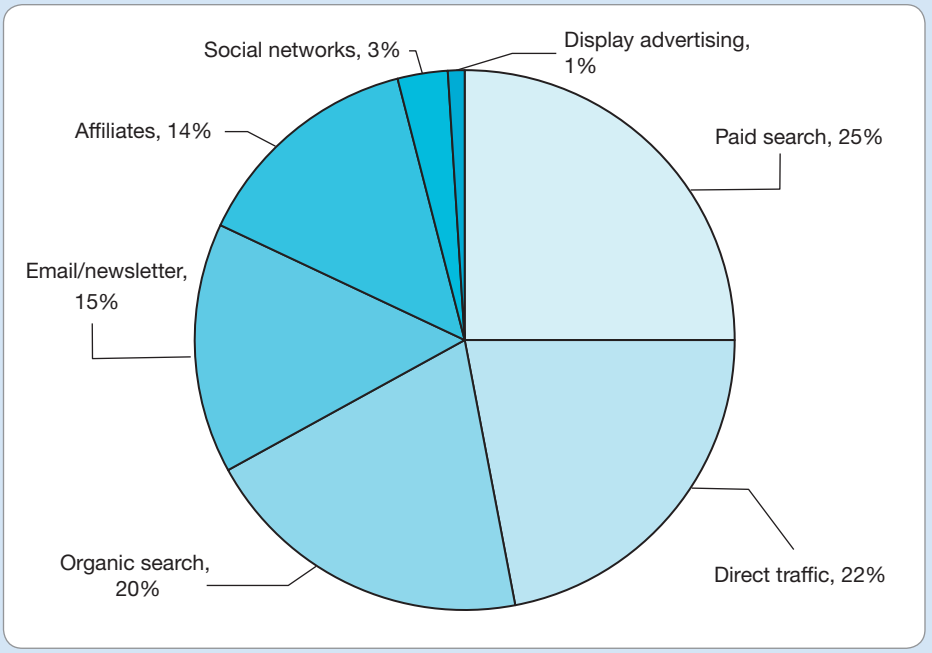
One approach to determining the most appropriate mix of digital media channels is to compare the mix of digital site referrers in a digital analytics service.

Within Google Analytics, a benchmarking option can be used to compare the relative importance of different referrers to others in a sector. As an example of a channel referrer mix, see Figure 9.1. This shows the relative proportion of digital channels resulting in sales by Adobe (2021) for the US holiday season 2020 (the Black Friday and Cyber Monday period in November) measured by value generated in sales when channels are assessed by the last-click method (explained at the end of Chapter 8).

Other labels for channels that are recorded in Google or Adobe Analytics that are not shown in the figure (but users of these tools will be familiar with) include:

- **Referral.** This is traffic from other sites that have direct links to a site. This can include social media sites, but Google and other analytics services now separate out 'social traffic'.
- **Direct.** Direct traffic results from URL type-ins, bookmarks or when email marketing isn't tracked by marketers adding specific link tracking to their email so that they show up in analytics. These days, direct traffic will also include non-browser traffic from visitors clicking on apps for reading social media updates such as Hootsuite or Buffer, or other mobile apps linking to a site. This traffic is sometimes called 'dark social' since it is difficult to attribute to social media updates.

Figure 9.1 Example of traffic mix showing average percentage of traffic from different digital channel sources referred to retail websites



Source: Data from Adobe (2021)

Essential digital skills | Digital media

Search engine marketing (SEM)
Promoting an organisation through search engines to meet its objectives by delivering relevant content in the search listings for searchers and encouraging them to click through to a destination site. The two key techniques of SEM are search engine optimisation (SEO) to improve results from the natural listings, and paid search marketing to deliver results from the sponsored listings within the search engines. Note, in the United States and some European countries, the acronym SEM is sometimes used solely to describe paid search advertising. Confusing!

Navigational (or brand) search
Searchers use a search engine such as Google to find information deeper within a company site by appending a qualifier such as a product name to the brand or site name. Organisations need to check that relevant pages are available in the search results pages for these situations.

Many of the practical skills sought after by businesses in digital marketing involve the techniques covered in this chapter. These include:

- **SEO:** Perform a gap analysis, content audit and backlink analysis to define the opportunities for organic search traffic and then achieve them through content creation and influencer outreach. Complete the free Semrush training or exams (**www.semrush.com/academy/exams**).
- **Paid search:** Become a Google Ads professional or complete the free Google Ads certification or training using **skillshop.withgoogle.com/**.

Practical ideas to boost employability by showcasing your interests and experiences include:

- Create a blog using a free option from WordPress, Wix or Squarespace and set up Google Analytics tracking so you understand site referrers. You can also use the Google Analytics Demo account to understand a full referrer mix.
- Complete free online Google Ads or Analytics training.
- Understand the purpose of the most popular search marketing tools, including Google Search Console, Semrush, Moz and Ahrefs.
- Follow different marketing influencers on Facebook, Twitter or LinkedIn and understand the content they share and how they interact with companies and other influencers.
- Create a marketing-focused blog or Twitter or LinkedIn profile and share content from your course and the influencers you follow. Focus on the areas of marketing that interest you most.

Search engine marketing

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

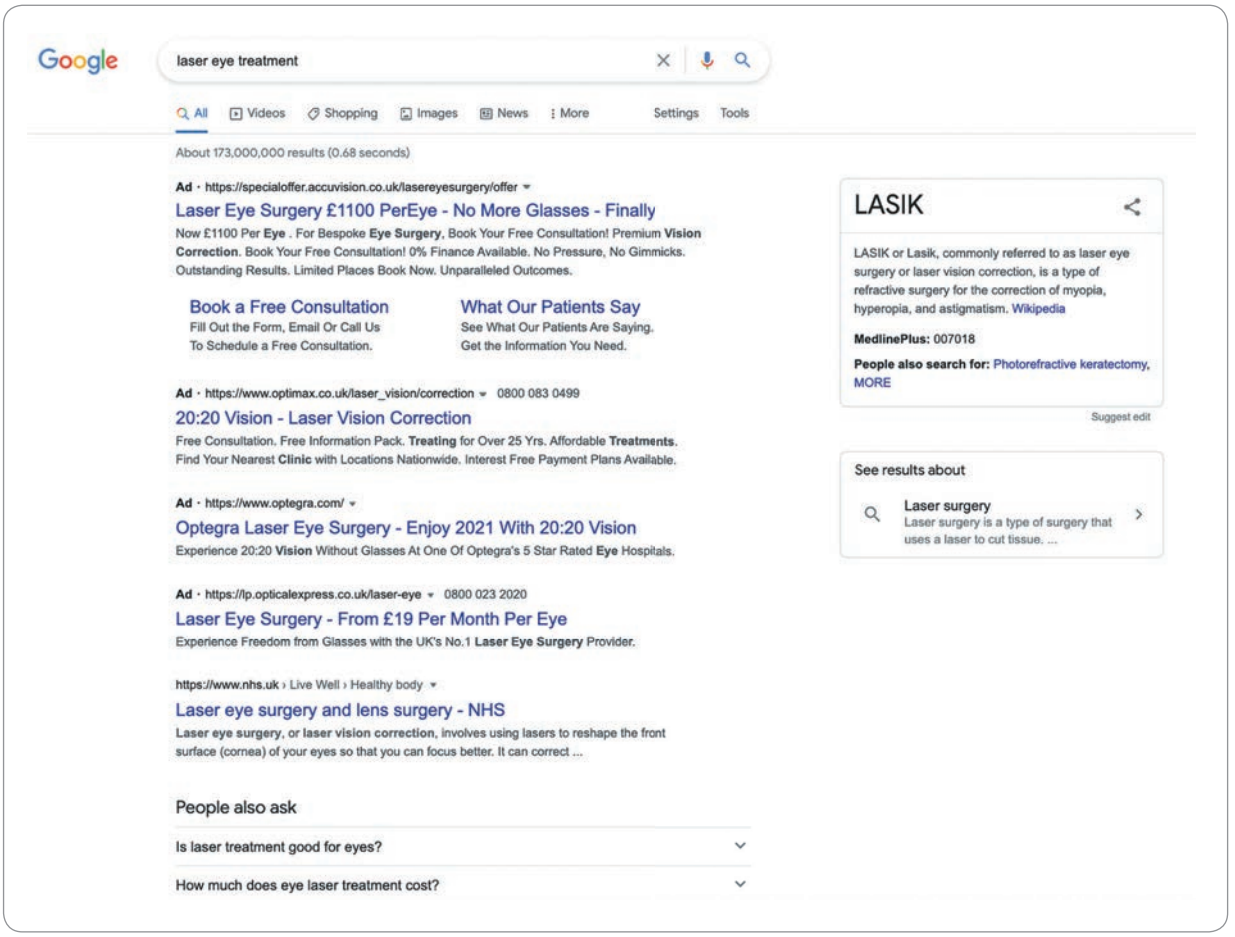
Natural or organic listings
The pages listing results from a search engine query, which are displayed, below any ads, in a sequence according to relevance of match between the keyword phrase typed into a search engine and a web page according to a ranking algorithm used by the search engine.

Search engine marketing (SEM) is a key technique for generating quality visitors to a website, as suggested by Figure 9.1. We all now naturally turn to a search engine when we are seeking a new product, service or entertainment. The main options include Google, Bing, the Google-owned YouTube, which is the second largest search engine by volumes of searches in many countries, or other regional search engines. We also turn to search engines when we are familiar with a brand, shortcutting site navigation by searching for a brand, appending a brand name to a product or typing a URL into Google. This is known as **navigational (or brand) search**. Given the obvious importance of reaching an audience during their consideration process for a product or when they are locating a brand, SEM has become a fiercely competitive area of digital marketing.

There are two main types of SEM that are quite distinct in the marketing activities needed to manage them, so we will study them separately, although in practice they should be integrated:

1. **Search engine optimisation (SEO)** or 'organic search' involves achieving the highest position or ranking practical in the **natural or organic listings**, below the ads on the

Figure 9.2 Search engine results page in Google (**www.google.com**) illustrating the paid and organic listings



Source: Google LLC

Search engine results pages (SERPs)
The page(s) containing the results after a user types a keyphrase into a search engine. SERPs contain both natural or organic listings and paid or sponsored listings.

SERPs features
Organic search engine results listings incorporate other relevant results as 'search snippets' related to a query, such as images, video, related questions, local retailers (in Google My Business) and news.

search engine results pages (SERPs) across a range of specific combinations of keywords (or keyphrases) entered by search engine users. You can see from Figure 9.2 that there are a limited number of organic search results compared to the four ads at the top of the SERPs.

As well as listing pages that the search engine determines as relevant for the search performed, based on the text it contains and other factors, such as links to the page, the SERPs also contain other tools that searchers may find useful. When these were first introduced, Google labelled these 'universal search' or 'blended search'. Today, we simply talk about specific **SERPs features** with different labels. Complete Activity 9.1 to review these in more detail.

2 **Paid search (pay-per-click) marketing (PPC)** is similar to conventional advertising; here, a relevant text ad with a link to a company page is displayed when the user of a search engine types in a specific phrase. A series of text ads, formerly labelled as 'sponsored links', are displayed above or below the natural listings, as in Figure 9.2. Although many searchers prefer to click on the natural listings, a sufficient number do click on the paid listings (typically around a quarter or a third to a half of all clicks) such that they are highly profitable for companies such as Google, and a well-designed paid search campaign can drive a significant amount of business for companies. There are also opportunities to create awareness and response from pay-per-click ads displayed on third-party sites, as we will see in the section on paid search marketing.

Activity 9.1 The changing faces of the SERPs features

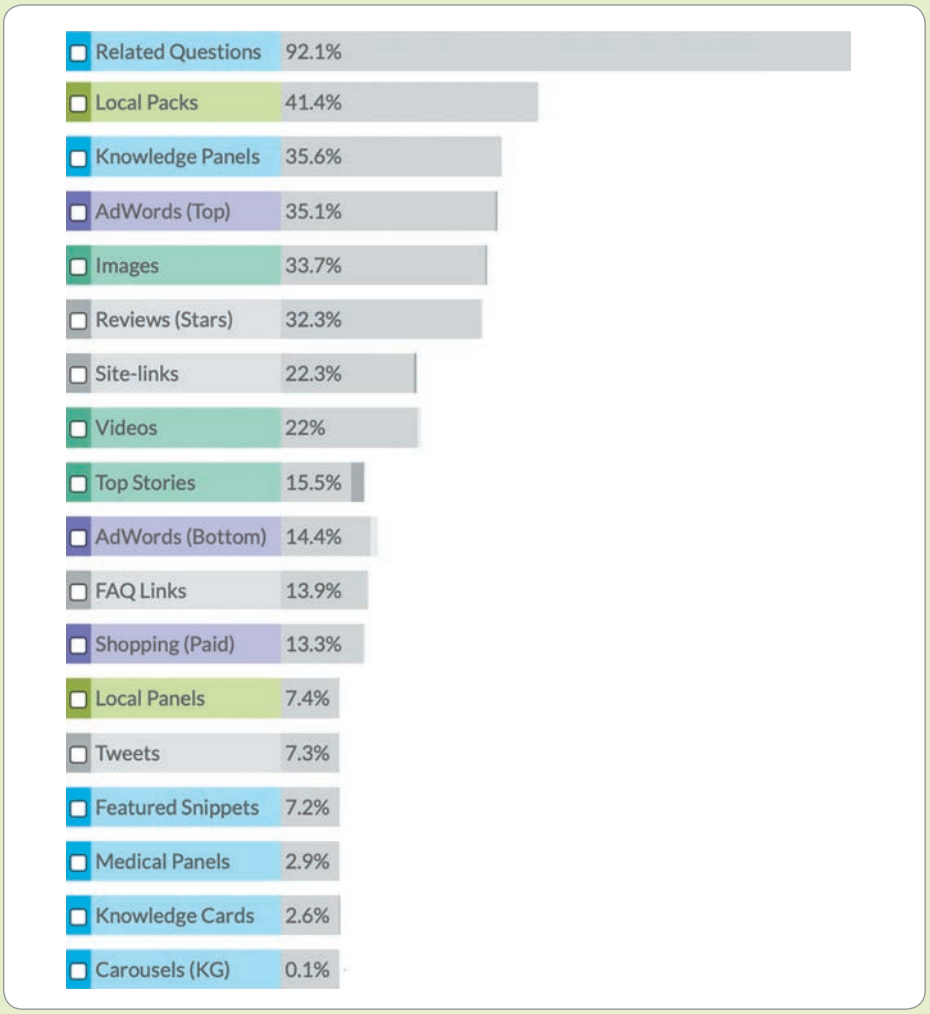
Paid search (pay-per-click) marketing (PPC)
A relevant text ad with a link to a company page is displayed on the SERPs when the user of a search engine types in a specific phrase. A fee is charged for every click of each link, with the amount bid for the click mainly determining its position. Additionally, PPC may involve advertising through a display network of third-party sites (which may be on a CPC, CPM or CPA basis).

Search engine marketing tools service Moz has regularly updated research called MozCast, which shows the popularity of different types of features within the search results pages for the most popular queries. An example of SERPs features is the 'Related questions' under a heading 'People also ask'.

Activity

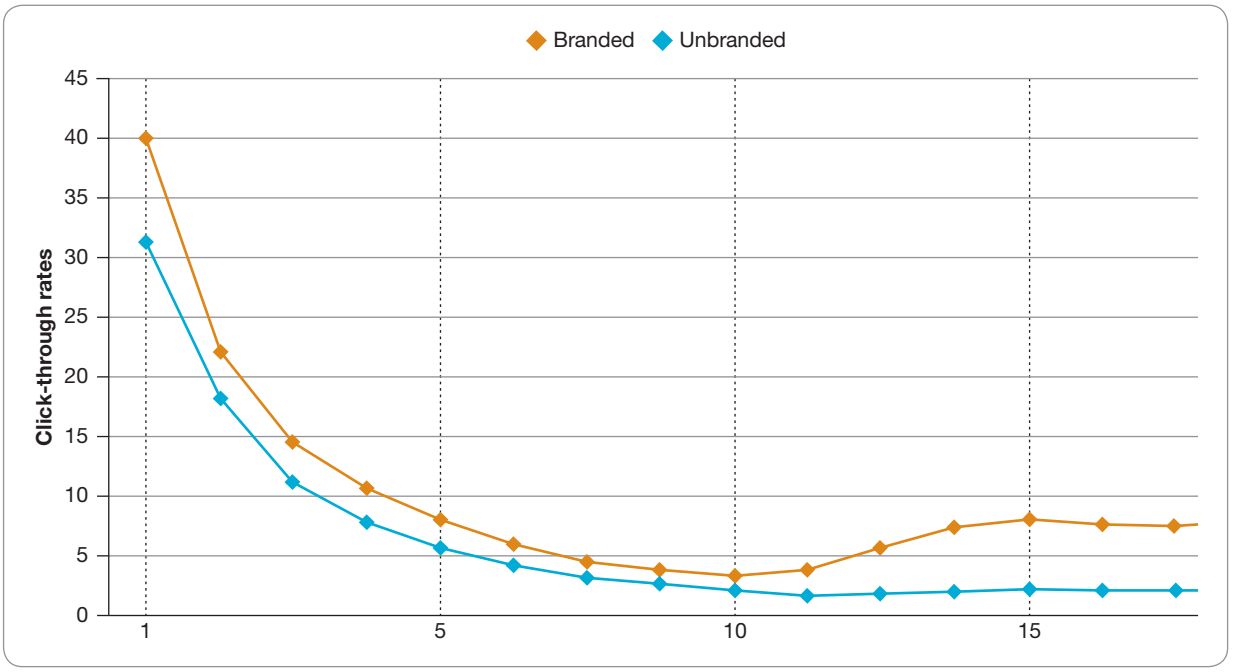
Visit MozCast and review the latest SERPs features (Figure 9.3) so that you understand the difference between them. Complete different navigational, generic (for example, **google.com/search?q=laser+eye+treatment**) and specific searches for products in a sector of your choice and see how many of these you can identify for different types of queries. Are some companies better at achieving visibility than others?

Figure 9.3 Popularity of different Google Search features for a selection of 10,000 keywords



Source: MozCast (**http://mozcast.com/features**)

Figure 9.4 Click-through rates depending on position in the natural search results



Source: Advanced Web Ranking (2018)

The importance of effective search engine marketing is suggested by Figure 9.4, which shows that generating the highest rankings for a company in the search engine results pages (SERPs) can generate many more visits because of a higher click-through rate. Note that click-through rate according to position will vary dramatically by type of keyword, such as brand or generic keyword, but this research is based on 10,000 keywords across 250 B2C and B2B companies.

What is SEO?

Improving positions in the natural listings is dependent on marketers understanding the process whereby search engines compile an index by sending out spiders or robots to crawl around sites that are registered with that search engine (Figure 9.5). The figure shows that the technology harnessed to create the natural listings involves these main processes:

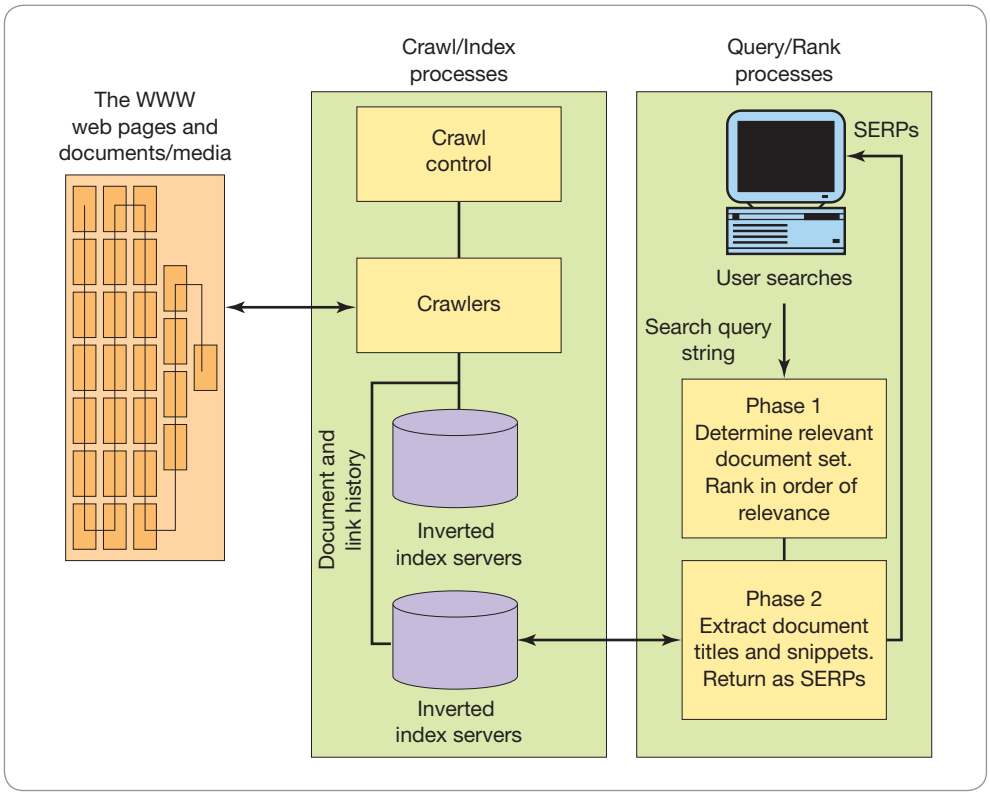
Robots or spiders
Spiders are software processes, technically known as robots, employed by search engines to index web pages of registered sites on a regular basis. They follow or crawl links between pages and record the reference URL of a page for future analysis.

1 **Crawling.** The purpose of the crawl is to identify relevant pages for indexing and assess whether they have changed. Crawling is performed by **robots** (bots, sometimes known as **spiders**). These access web pages and retrieve a reference URL of the page for later analysis and indexing.

   Although the terms 'bot' and 'spider' give the impression of something physical visiting a site, the bots are simply software processes running on a search engine's server that request pages, follow the links contained on that page and create a series of page references with associated URLs. This is a recursive process, so each link followed will find additional links that then need to be crawled.

2 **Indexing.** An index is created to enable the search engine to rapidly find the most relevant pages containing the query typed by the searcher. Rather than searching each page for a query phrase, a search engine 'inverts' the index to produce a lookup table of documents

Figure 9.5 Stages involved in producing a search engine listing for the natural listings



containing particular words. Marketers can use Google's Search Console (formerly Webmaster Tools) to understand which pages are indexed and get recommendations about potential duplicate content.

The index information consists of phrases stored within a document and also other information characterising a page such as the document's title, meta description, PageRank, trust or authority, spam rating, etc. For the keywords in the document, additional attributes will be stored, such as semantic markup (<h1>, <h2> headings denoted within HTML), occurrence in **link anchor text**, proximity, frequency or density and position in document, etc. The words contained in link anchor text 'pointing' to a page are particularly important in determining search rankings.

Link anchor text
The text used to form the blue underlined hyperlink viewed in a web browser defined in the HTML source. For example, a link: Visit Dave Chaffey's Digital Marketing site is created by the HTML code: <A **href="http://www.smartinsights.com">**Visit Dave Chaffey's Digital Marketing site</A>.

3 **Ranking or scoring.** The indexing process has produced a lookup of all the pages that contain particular words in a query, but they are not sorted in terms of relevance. Ranking of the document to assess the most relevant set of documents to return in the SERPs occurs in real time for the search query entered. First, relevant documents will be retrieved from a runtime version of the index at a particular data centre, then a rank in the SERPs for each document will be computed based on parsing many ranking factors, of which we highlight the main ones in later sections.

4 **Query request and results serving.** The familiar search engine interface accepts the searcher's query. The user's location is assessed through their IP address and the query is then passed to a relevant data centre for processing. Ranking then occurs in real time for a particular query to return a sorted list of relevant documents and these are displayed on the search results page.

Search engine ranking factors

Google has stated that it uses more than 200 factors or signals within its search ranking algorithms. These include positive ranking factors that help boost position, and negative factors or filters that are used to remove search engine spam (also known as webspam) from the index when SEO companies have used unethical approaches such as automatically creating links to mislead the Google algorithms. The importance of ranking factors is much disputed by SEOs, since with so many factors it is difficult to isolate their impact to prove a correlation or, more importantly, a causative relationship between them. The interested should read the balanced article by Fiorelli (2014) discussing 'The myth of Google's 200 ranking factors' and Brian Dean's updated compilation of 200 Google ranking factors (Dean, 2020). In this coverage we will summarise the current thinking based on Dave Chaffey's more than 20 years of experience as an SEO consultant and publisher.

At a top level, the two most important factors for good ranking positions in all the main search engines are:

- **Matching between web page copy and the key phrases searched.** The main factors to optimise on are 'related keywords used on page', keyword formatting, keywords in anchor text and the document metadata including page title tags. The SEO process to improve results in this area is known as **on-page optimisation**. We will cover some of the details of best practice for this process in a topic later in this section.
- **Links into the page (inbound or backlinks).** Google counts each link to a page from another page or another site as a vote for this page. So pages and sites with more external links from other sites will be ranked more highly. The quality of the link is also important, so if links are from a site with a good reputation and relevant context for the keyphrase, then this is more valuable. Internal links are also assessed in a similar way. Link quality tends to be higher for links with relevant anchor text from within a relevant article. The processes to improve this aspect of SEO are **external link building** and **internal link architecture**. To reduce the impact of webspam, search engines introduced **nofollow tags**, which means that links added to comments in blogs and social network updates have a limited impact, although it seems that many search spammers aren't aware of this.

When we first wrote about SEO in the first edition of this text, the concept of content marketing didn't exist. Today, among practising marketers, it is now recognised that the best, scalable way to gain quality backlinks is through content marketing described in the 'Content marketing' section in Chapter 8. This involves developing quality content and then working with partner sites through a process of 'outreach'. Some have suggested that SEO has become less important, but the reality is that SEO has always involved a combination of technical SEO to ensure pages are indexed, development of content and working with other site owners. This hasn't changed.

With the growing importance of sharing of links through social media, the search engines can potentially use the number of social mentions to a page and across a site to determine ranking positions (Soames, 2010). For example, a representative of Bing said of assessment of Twitter at the time:

> We take into consideration how often a link has been tweeted or retweeted, as well as the authority of the Twitter users that shared the link.

However, Google's search engineers have never officially confirmed that social signals are used when asked. Although analysis has shown there is a correlation between number of social shares and articles that rank more highly, this doesn't indicate causation. There may be other known ranking factors in play, e.g. pages with more social shares tend to be more popular, have higher user engagement and are more likely to attract backlinks from other sites as more people become aware of them. Certainly, it is positive for many reasons to create articles that encourage social sharing, and most media

On-page optimisation
Writing copy and applying markup such as the <title> tag and headings tags <h1>, <h2>, <h3> to highlight relevant keyphrases within a document to search engines.

Backlink
Hyperlink that links to a particular web page (or website), typically used to mean linking from another site. Also known as an inbound link.

External link building
A proactive approach to gain quality links from third-party sites. It can be considered to be an element of online PR since it involves getting your brand visible on third-party sites and creating backlinks related to your site.

Internal link architecture
Structuring and labelling links within a site's navigation to improve the results of SEO.

Nofollow and dofollow tags
A nofollow tag is a basic piece of HTML. Appended to a hyperlink, it allows webmasters to control whether search engines follow a link or not. For example, the following URL on a page of another site allows search engines to visit Smart Insights' website and credit the website with the link; each link is scored by the search engines, supporting SEO:
<a **href="http://www.smartinsights.com/"** title="Smart Insights">Visit Smart Insights</a>
This normal, natural type of link is sometimes known as 'do-followed'! Here's the same hyperlink, now including a nofollow tag (highlighted in **red**):
<a **href="http://www.smartinsights.com/"** title="Smart Insights" rel="nofollow">Visit Smart Insights</a>.

Social graph
A term popularised by Facebook in 2007 when describing its Facebook platform. The social graph describes the relationship between individuals linked through social networks and other connections such as email or personal contact.

sites and blogs use prominent widgets to show the number of shares and encourage further sharing.

The implications of this are that if companies can get influencers to recommend their content or offers through social networks, this can have the dual effect of reaching more people through their **social graph** and improving rankings.

Advantages and disadvantages of SEO

Advantages of SEO

The main benefits of SEO are:

- **Significant traffic driver.** Figure 9.1 showed that search marketing can attract a significant proportion of visitors to the site *if* companies are successful in implementing it.
- **Highly targeted.** Visitors are searching for particular products or services so will often have a high intent to purchase – they are qualified visitors. Registering with Google My Business enables businesses with a physical presence to gain visibility in Google Maps SERPs features.
- **Potentially low-cost visitors.** There are no media costs for ad display or click-through. Costs arise solely from the optimisation process where in-house staff or agencies are paid to improve positions in the search results.
- **Dynamic.** The search engine robots will crawl the home page of popular sites daily, so new content is included relatively quickly for the most popular pages of a site (less so for deep links).

Disadvantages of SEO

Despite the targeted reach and low cost of SEO, it is not straightforward as these disadvantages indicate:

- **Lack of predictability.** Compared with other media, SEO is very unreliable in terms of the return on investment – it is difficult to predict results for a given investment and is highly competitive.
- **Time for results to be implemented.** The results from SEO may take months to be achieved, especially for new sites.
- **Complexity and dynamic nature.** The search engines take hundreds of factors into account, yet the relative weightings are not published, so there is not a direct correlation between marketing action and results – 'it is more of an art than a science'. Furthermore, the ranking factors change through time.
- **Ongoing investment.** Investment is needed to continue to develop new content and generate new links.
- **Poor for developing awareness in comparison with other media channels.** Searchers already have to be familiar with a brand or service to find it. However, it offers the opportunity for less well-known brands to 'punch above their weight' and to develop awareness following click-through.

For these reasons, investment in paid search may also be worthwhile.

Best practice in planning and managing SEO

In this section we will review six of the main approaches used to improve the results from SEO covering different search engine ranking factors. We describe these in some detail since it is one of the most cost-effective digital marketing techniques, so it's important to understand that SEO is a technical discipline and that the techniques used change through time. For this reason, SEO is often outsourced to a specialist SEO agency, although some companies believe they can gain an edge through having an internal specialist who understands the

company's customers and markets well. You will see that some of the on-page optimisation techniques recommended in this section are relatively straightforward and it is important to control brand and proposition messages. Content editors and reviewers within a company therefore need to be trained to understand these factors and incorporate them into their copywriting.

1 Search engine registration

When a new site is launched, its pages need to be crawled for it to be included within the search engine index and potentially get visibility. Google advises new sites should be registered by submitting new and updated URLs to verify site ownership on Search Console. Most existing companies and startups will be included automatically in the search index since the search engine robots will follow links from other sites that link to them and do not require submission services. New sites should seek to gain relevant backlinks to boost their authority in Google's eyes. Google has allegedly placed new sites in a review status sometimes referred to as the *Google sandbox effect*. However, Google search engineers deny the existence of this and explain it is a natural artefact produced by new sites having limited links from other sites, history and thus reputation. However, it is important to remember this constraint when creating startup companies or separate unlinked microsites for a campaign since you may have to rely on paid search to gain SERPs visibility.

It is useful for business owners with a physical presence to register with Google My Business so their business may be displayed prominently in a Google Maps SERPs feature. Local search engine optimisation involves increasing visibility for geographically constrained searches by improving the quality of images, product listings, reviews and backlinks for retail locations.

2 Index inclusion

Although a search engine robot may visit the home page of a site, it will not necessarily crawl all pages or assign them equal weight in terms or relevance. So, when auditing sites as part of an SEO initiative, SEO agencies will check how many pages are included within the search engine index for different search engines. This is known as **index inclusion**.

Index inclusion
Ensuring that as many of the relevant pages from your domain(s) are included within the search engine indexes you are targeting to be listed in.

Duplicate content
Different pages that are evaluated by the search engine to be similar and so don't rank highly, even though they may be for distinct products or services.

Among the potential reasons for not gaining complete index inclusion are:

- Technical reasons why the search robots do not crawl all the pages, such as the use of SEO-unfriendly content management systems with complex URLs.
- Pages identified as webspam or of less importance, or considered to be **duplicate content**, which are then contained in what used to be known as the supplemental index in Google and don't rank so highly. In these cases, it is sometimes best to use a specific 'canonical' meta tag, which tells the search engine which is the primary page. If you are a multinational company with different content sites for different countries, then it can be challenging to deliver the relevant content for local audiences, with use of regional domains tending to work best, but there are specialist techniques such as hreflang code markup, which can be used to tell Google which country and language a page is intended for.

Companies can check the index inclusion by means of:

- using web analytics referrer information to find out which search engines a site's visitors originate from, and the most popular landing pages;
- checking the number of pages that have been successfully indexed on a site – for example, in Google the search '**inurl:www.smartinsights.com**' or '**site:www.smartinsights.com**' lists all the pages of Dave's site indexed by Google and gives the total number in the top-right of the SERPs;
- using Google Search Console – a free service that site owners can register with that shows pages indexed and potential webspam problems, such as the penalties that may result in reduced search rankings (described in Digital marketing insight 9.2).

Digital marketing insight 9.2 Is SEO a zoo of Pandas and Penguins?

Since it was launched, Google has named many of the major updates to its algorithm. The best source to review the latest changes is the Moz Google Algorithm Update History (**moz.com/google-algorithm-change**). Some of the earlier updates, such as Florida in 2003 and Jagger in 2005, marked the start of Google proactively combating webspam. In the entry for Florida, Moz explains:

> *This was the update that put updates (and probably the SEO industry) on the map. Many sites lost ranking, and business owners were furious. Florida sounded the death knell for low-value late '90s SEO tactics, like keyword stuffing, and made the game a whole lot more interesting.*

Each year sees hundreds of minor changes, which recently have been grouped into 'core updates', which SEO specialists have to assess the importance of and review the impact on their sites using analytics. This is one reason that so many people work within SEO.

Google Developers (2019) explains the importance of core updates like this:

> *Each day, Google usually releases one or more changes designed to improve our search results. Most aren't noticeable but help us incrementally continue to improve. Several times a year, we make significant, broad changes to our search algorithms and systems. We refer to these as 'core updates'. They're designed to ensure that overall, we're delivering on our mission to present relevant and authoritative content to searchers.*

Google Developers (2019) emphasises the importance of *Expertise, Authoritativeness, and Trustworthiness (E-A-T)* within its algorithms, which are documented in its search quality rater guidelines. Raters perform manual checks on sites to confirm algorithms are working effectively, based on reviews of the quality of the content and also the authoritativeness of the author and site.

Panda and Penguin algorithm updates
Changes to Google's algorithm aimed at reducing the impact of webspam. They caused the rankings of many sites to fall. Panda targeted low-quality sites with 'thin' content. Penguin targeted sites using aggressive link building.

The **Panda and Penguin algorithm updates** have had a large impact on organic search for many businesses, reducing the visits to many companies, and are still major factors affecting rankings. For an example, see the story of Joe, a plumber, related by Haynes (2012).

Panda involves a series of major algorithm updates by Google dating from 2011 that are still in place today, aimed at reducing the visibility of low-quality sites with 'thin' content. It was originally known as 'Farmer' since it was aimed at reducing the visibility, i.e. ranking positions, of 'article farm' sites where webmasters could submit low-quality keyword-stuffed articles to sites targeting specific anchor text.

Penguin was another series of major algorithm updates by Google dating from April 2012 onwards aimed at reducing the visibility of sites involved in aggressive link building. Specific techniques to avoid, which could result in penalties such as removal of pages from the search results or reduced rankings, include:

1. a backlink profile with too many links with similar exact-match anchor text, i.e. the same keyphrases from multiple sites;
2. keyword stuffing in inbound and outbound links;
3. use of keywords in 'exact-match domains (EMD)' where the domain name targeted a specific phrase;
4. related on-page factors where Google penalised poor-quality pages violating its guidelines.

Knowledge Graph
An infrastructure developed by Google to display related information about people, places and objects.

In addition to changes intended to combat spam, there are also algorithm updates related to infrastructure, such as Caffeine and Hummingbird, which developed a concept called the **Knowledge Graph**.

3 Keyphrase analysis

Keyphrase (keyword phrase)
The combination of words users of search engines type into a search box that form a search query.

The key to successful search engine marketing is achieving **keyphrase** relevance, since this is what the search engines strive for – to match the combination of keywords typed into the search box to the most relevant destination content pages. Notice that we say 'keyphrase' (short for 'keyword phrase') rather than 'keyword', since search engines such as Google attribute more relevance when there is a phrase match between the keywords that the user types and a phrase on a page.

Key sources for identifying the keyphrases your customers are likely to type when searching for your products include your market knowledge, competitors' sites, keyphrases from visitors who arrive at your site (from web analytics), the internal site search tool and the keyphrase analysis tools such as the Google Keyword Planner. When completing keyphrase analysis we need to understand different qualifiers that users type in. Here are examples of common types of qualifiers for 'car insurance':

- **comparison/quality** – compare car insurance;
- **adjective** (**price/product qualifiers**) – cheap car insurance, women's car insurance;
- **intended use** – high-mileage car insurance;
- **product type** – holiday car insurance;
- **vendor** – Churchill car insurance;
- **location** – car insurance UK;
- **action request** – buy car insurance.

According to the Google Keyword Planner tool, for a single month in 2021, for searches completed in the United Kingdom, the most popular phrases related to car insurance were:

- car insurance: 550,000;
- car insurance quotes: 246,000;
- cheap car insurance: 165,000;
- compare car insurance: 165,000;
- classic car insurance: 18,000;
- young drivers car insurance: 6,000.

Note these volumes aren't for exact match phrases, but may contain related phrases.

These volumes suggest the importance of ranking well for high-volume 'generic' keyphrases such as 'car insurance quotes' and to consider products and services that target a need such as 'classic car insurance' or 'young drivers insurance'.

4 On-page optimisation

Although each search engine has its own algorithm with many weighting factors that change through time, fortunately there are common factors in the match between search terms entered and the occurrence of the words on the page that influence search engine rankings.

Occurrence of search term in body copy

The number of times the keyphrase is repeated in the text of the web page is a factor in determining the position for a keyphrase, but it is less important than when search engines were first developed, as discussed by Fiorelli (2014). Copy can be written to increase the number of times a word or phrase is used (formerly known as keyword density) and this can have a limited impact to boost position in the search engine. Note, though, that search engines carry out checks that a phrase is not repeated too many times (such as 'cheap flights ... cheap flights ... cheap flights ... cheap flights ... cheap flights ... cheap flights ... cheap flights ... ' or the keyword is hidden using the same colour text and background) and will not list the page if this keyphrase density is too high or it believes 'keyword stuffing' or 'search engine spamming' has occurred. Today, other ranking factors such as anchor text of backlinks pointing to the page from other pages and other sites, and the natural occurrence of synonyms within the page body copy, headings and title are more important. User behaviour

signals are also important, so Google favours pages that engage visitors for longer and so have longer dwell times or lower bounce rates compared to other pages.

In its guidance for webmasters, Google (2018) states:

> Google goes far beyond the number of times a term appears on a page and examines all aspects of the page's content (and the content of the pages linking to it) to determine if it's a good match for your query.

These other factors include:

- frequency (which must be not too excessive, i.e. less than 2–4 per cent);
- occurrence in page title and headings, marked in HTML code as <title>, <h1>, <h2>;
- occurrence in anchor text of hyperlinks;
- markup such as bold;
- proximity of phrase to start of document and the gap between individual keywords;
- links out to other related sites;
- alternative image text (explained below);
- document metadata (explained below).

Alternative image text

Graphical images can have hidden text associated with them that is not seen by the user (unless graphical images are turned off or the mouse is rolled over the image) but will be seen and indexed by the search engine and is a minor ranking factor, particularly in images linking to other pages. For example, text about a company name and products can be assigned to a company logo using the 'ALT' tag or attribute of the image tag as follows:

```
<img src="car-insurance-photo.png" alt="Car insurance">
```

In some sectors, where the images that SERPs feature are commonly displayed or people are using image search, it may be useful to optimise images, by uploading quality images that are well captioned and have relevant backlinks.

Document metadata

'Meta' refers to information 'about' the page that characterises it. The three most important types of metadata are the document <title> tag, the document 'descriptions' meta tag and the document 'keywords' meta tag. These need to be unique for each page on a site, otherwise the search engine may assess the content as duplicate and some pages may be downweighted in importance. Let's look at it in a little more detail:

1. **The document title.** The <title> tag is arguably the most important type of metadata since each search engine places significant weighting on the key phrases contained within it *and* was the call-to-action hyperlink until 2021, when it was replaced by headings (Google, 2021). If it contains powerful, relevant copy, you will get more clicks and the search engine will assess relevance relative to other pages that are getting fewer clicks.
2. **The 'description' meta tag.** A meta tag is an attribute of the page within the HTML <head> section, which can be set by the content owner. It doesn't directly affect ranking, but a compelling description explaining an offer can boost click-through rate, so is good practice. If it is absent or not relevant, Google will display relevant 'snippets' from within the body copy, but it is best to control messages and this can help identify the page as unique to prevent duplicate content problems. So, the page creator can modify this to make a stronger call to action in the search engine listings, as in this example:

```
<meta name="description" content="Direct Line offers you great value car insurance
by cutting out the middleman and passing the savings directly on to you. To find out if
you could save, why not get a car insurance quote? Breakdown Cover Insurance also
available.">
```

To see how relevant and unique your <headings> and meta descriptions are, use the Google 'site': syntax with a keyphrase – this will return all the pages on your site about a particular topic. For example:

<digital marketing strategy site:smartinsights.com>

To view meta tags for a site, select View, Source or Page Source in your browser.

3 **The 'keywords' meta tag.** The keywords meta tag is used to summarise the content of a document based on keywords. Some unscrupulous SEOs can still be heard to say to potential clients 'we will optimise your meta tags'. But this is not significant today since the keywords meta tag is relatively unimportant as a ranking factor (Google has never used them), although these keywords may be important to internal search engines. For example:

<meta name="keywords" content="Car insurance, Home insurance, Travel insurance, Direct line, Breakdown cover, Mortgages personal loans, Pet insurance, Annual holiday insurance, Car loans, UK mortgages, Life insurance, Critical illness cover">

4 **Semantic markup.** In order to better manage the interrelationships between different data on the web, the W3C has introduced specific HTML markup in a format defined by **Schema.org** known as **microformats**, which can be used to reinforce the semantics, or meaning, of the information on web pages so that it can be better understood and managed by search engines. These are particularly important in some markets since they give more prominence to businesses in the search results, as described by Bhana (2014), and include:

- local business information such as names and addresses;
- product details such as pricing, size;
- reviews and ratings awarded for articles, products or service quality.

Microformats
A semantic definition of a specific information type such as a product, event, recipe or review. **Schema.org** manages some of the most common definitions.

5 External linking

Boosting external links from other sites is vital to SEO in competitive markets – on-page optimisation is insufficient. However, link-building is less easy to control and often neglected. The founders of Google realised that the number of links into a page and their quality was a great way of determining the relevance of a page to searchers, especially when combined with the keyphrases on that page (Brin and Page, 1998). Although the Google algorithm has been upgraded and refined continuously since then, the number and quality of external links is still recognised as an important ranking factor and this is similar for other search engines. As we mentioned previously, links shared through social media are now also used as ranking factors.

Generally, the more links a page has from good-quality sites, the better its ranking will be. **PageRank** is one factor that helps Google deliver relevant results since it counts each link from another site as a vote. However, not all votes are equal – Google gives greater weight to links from pages that themselves have a high PageRank and where the link anchor text or adjacent text contains text relevant to the keyphrase. It has been refined to identify sites that are 'authority sites' or hub sites for a particular type of search. For keyphrases where there is a lot of competition, such as 'car insurance', the quantity and quality of inbound links will be far more important than keyphrase density in determining ranking.

While natural links will be generated if content is useful, a proactive approach to link building is required in competitive markets. Chaffey and Smith (2017) recommend these steps to help boost your external links:

1 **Identify and create popular content and services.** By creating more valuable 'cornerstone content' and then showcasing it within your navigation, or grouping it within a few pages such as 'Useful Resources' or a more extensive 'Resource Centre', you can encourage more people to link to your content naturally, or approach them and suggest they link or bookmark not only to the home page, but directly to the useful tools that have been created. This is part of the content marketing approach described in Chapter 8.

PageRank and Domain Authority (DA)
PageRank is a scale between 0 to 10 used by Google's internal algorithms (named after Google founder Larry Page) that is used to assess the importance of web pages according to the number of inbound links or backlinks. It was publicly shown in Google's browser toolbar until 2016. Today, to get an indication of the authority of a site and page, other options are available such as Moz Domain Authority (DA) and Page Authority (PA), which varies between 0 and 100 and can also be accessed from a toolbar, and is useful for benchmarking the relative authority of sites based on the number of unique links to them.

2 **Identify potential partner sites.** There are several options to find partner sites as part of a process of 'outreach' to support SEO. It is helpful to try to identify the types of sites that you may be able to link with, such as:

- directories of links (typically less valuable today);
- traditional media sites;
- niche online-only media sites;
- trade associations;
- manufacturers, suppliers and other business partners;
- press release distribution sites (typically less valuable today);
- bloggers including customers and partners;
- social networks.

Note: The section on online PR later in this chapter has more guidance on approaches for link building and influencer outreach, which is the technical term for this activity and is one method of 'content distribution' described in the 'Content marketing' section in Chapter 8.

3 **Contact partner sites as part of link building/outreach.** A typical sequence is:

- Step 0 – develop relevant content or offer to encourage linking as part of content marketing.
- Step 1 – write email encouraging link (or a phone call to discuss with someone inside the company will often work best).
- Step 2 – follow up link.
- Step 3 – set up links.

Google suggests that site owners should rely on organic linking to their content because of its value, and has criticised many approaches to proactive link-building that marketers have found effective. For example, Google has cautioned that 'guest blogging', where a writer creates an article for another site linking back to their own site, shouldn't be used. Yet it is a common, effective practice and is essentially a form of PR, so it is no surprise that marketers persist with this practice. However, Google has put filters such as the Penguin algorithm in place to reduce the impact of links from other sites that are clearly used to 'game' the system. So if an ignorant link-builder has created many identical links to a site from different sites with the same anchor text, such as 'car insurance quotes' for example, then Google will see this as an unnatural 'backlink profile' for the site. Google has put tools in place to 'undo the damage' created by link-building, such as a Disavow link tool in Google Search Console.

Given that the quality (and quantity) of inbound or backlinks is one of the main factors that determines SEO success, it is important that an in-house or agency specialist uses the types of tools shown in Digital marketing insight 9.3 to review their approach.

Many of the principles of external link-building can also be applied to links within sites. The most important principle is to include keyphrases used by searchers within the anchor text of a hyperlink to point to relevant content. It's also important to consider how to increase the number of internal links to pages that you want to rank well. A meshed structure with lots of interlinks can work better than a simple hierarchy.

6 SEO for mobile devices

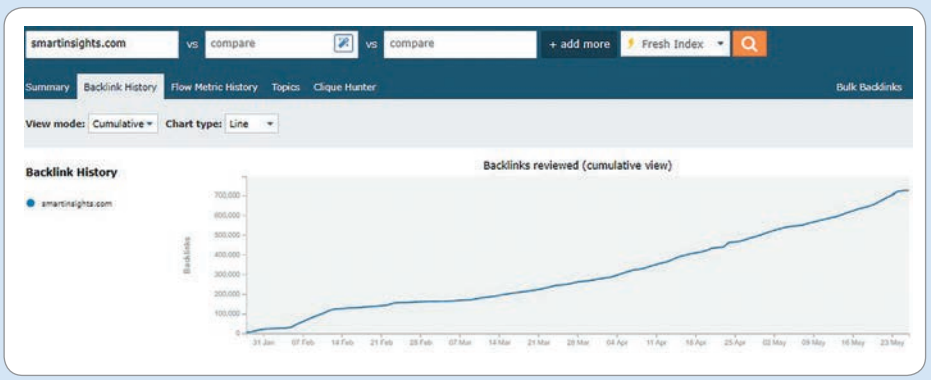
Since smartphone use has increased substantially, Google has taken many steps to ensure users of its search engine have a good experience on mobile. These are some of the key initiatives that marketers have to be aware of since they may lose visibility or miss out on opportunities:

1 **Page download speed.** With much of the world still not using 4G, 5G or broadband, Google assesses page download speeds, publishes benchmarks of the Core Web Vitals measures we outlined in Chapter 7 and may penalise particularly slow sites.

Digital marketing insight 9.3 Reviewing the links into a site

You can use the syntax **link:site** in Google to see examples of links into a page on a site as judged by Google, e.g. **link:www.smartinsights.com**. But note that this also includes internal links and is not comprehensive. Search engine optimisation analysis tool Majestic (**www.majestic.com**, Figure 9.6) has a backlink history tool, which is helpful to compare the growth in backlinks between competitors. For alerts of new links or new mentions on other sites, Google's own alerts (**www.google.com/alerts**) and **www.talkwalker.com/alerts** are useful tools. Other free services such as BuzzSumo™ (**www.buzzsumo.com**) and the **Google Search Console** can also give this information.

Figure 9.6 Growth in number of backlinks to **SmartInsights.com**



Source: Majestic-12 Ltd

2 **Mobile rendering.** Google provides developers with testing tools to ensure all sites render so they are usable on smartphones and tablets as well as desktops. Google has recommended the mobile-responsive design approach we covered in Chapter 7. Pages that don't follow mobile design standards may lose visibility.
3 **Pop-ups and interstitials.** Pop-ups and interstitial promotions are displayed on some sites when a page loads – for example, retailers and publishers encourage site visitors to sign up to an e-newsletter. Google has advised site owners that these shouldn't be used on smartphones and that it may penalise sites that display these.
4 **Accelerated Mobile Pages (AMPs).** In Chapter 7 we explained that these faster-loading page formats, which are served from Google's servers rather than a company's server, are used by publishers and in some other sectors. A related technology we reference in Chapter 7 is Progressive Web Apps (PWAs), which can be used alongside AMPs and are designed for rapid serving of content without the need for a native mobile app from an app store.

Paid search marketing

Although SEO has proved a popular form of digital marketing, paid search marketing is still of great relevance since it gives much more control on the appearance in the listings, subject to the amount bid and the relevance of the ad. Figure 9.1 suggests the importance of paid

search within the retail sector and it is also a significant site visitor driver in other sectors where there is a high level of search intent for products,

Each of the main Western search engines has its own paid advertising programme:

- Google Ads (**ads.google.com**), which display on Google Search and partner sites including the Google Display Network;
- Microsoft Ads (**https://ads.microsoft.com**), which display on the Bing search engine and partner sites.

Google's Product Listing Ads (PLAs)
Product information such as pricing and images are uploaded to Google's servers using a product feed in XML or text formats for display in ads within Google Ads or Google Shopping.

Biddable media
Businesses have to bid against other businesses in auctions to achieve visibility for their adverts, for example, when using pay-per-click advertising or programmatic advertising.

Display (or content) network
Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or a CPA basis. There are also options for graphical or video ads as well as text-based ads.

Contextual ad
Ad relevant to page content on third-party sites brokered by search ad networks.

Quality score
An assessment in paid search by Google Ads (and now other search engines) of an individual ad triggered by a keyword that, in combination with the bid amount, determines the ranking of the ad relative to competitors. The primary factor is the click-through rate for each ad, but quality score also considers the match between the keyword and the occurrence of the keyword in the text, historical click-through rates, the engagement of the searcher when they click through to the site and the speed at which the page loads.

What is paid search marketing?

We explained the principles of paid search marketing or sponsored links in the introduction to the section on search engine marketing. Although we said that the main model for paying for ads in the search engines is pay-per-click marketing, we have called this section paid search marketing since there are, increasingly, other options for payment on what is known as the content network. Retailers have an additional option for paid search, still known as **Product Listing Ads (PLAs)**, available as part of Google Shopping ads. These are ads showing product images and prices that you may have seen when searching for retail products. Google Shopping ads account for around 60 per cent of paid search ad spend in retail in the United States according to Merkle (2020).

Paid search marketing is an example of **biddable media**, where businesses have to bid against other businesses to achieve visibility for their adverts. Note that, as we will see in the section on quality score, the amount bid isn't the only factor that affects the prominence of the ad, since relevance of the ad is also important.

Paid search content network

Paid listings are also available through the **display network** of the search engines such as Google AdSense and Yahoo! Bing Contextual Ads. These **contextual ads** are automatically displayed according to the page content. They can be paid for on a CPC or CPM basis and include not only text ads but also options for graphical display ads or video ads. Google generates around one-fifth of its revenue from the Google Display Network, so there is a significant amount of expenditure on the network.

What controls position in paid search?

In early pay-per-click programmes, the relative ranking of sponsored listings was simply based on the highest-bidded cost-per-click (CPC) for each keyword phrase. So it was a pure auction arrangement, with the cost-per-click dependent on the balance of the extent of competition in the marketplace against the revenue or profit that can be generated dependent on conversion rates to sale and retention. The high CPCs (Table 9.2) at the time of writing in different B2C and B2B product sectors show how competitive Google Ads is. Since only a small proportion of visitors to a site clicking from the ad will convert, it can be difficult to generate a positive return on investment for these generic terms. If 10 per cent of people who click through to a site convert to sale, this gives a cost-per-acquisition of 10 times the CPCs shown in Table 9.2.

Contrary to what many web users may believe, today it is not necessarily the company that is prepared to pay the most per click that will get top spot. The search engines also take the relative click-through rates of the ads dependent on their position (lower positions naturally have lower click-through rates) into account when ranking the sponsored links, so ads that do not appear relevant, because fewer people are clicking on them, will drop down or may even disappear off the listing. The analysis of CTR to determine position is part of the **quality score**, a concept originally developed by Google but now integrated as part of the Microsoft search.

Table 9.2 Example variation in cost-per-click for different keywords in UK campaigns

Category	CPC (£)
Broadband	1.88
Car insurance	2.62
Digital marketing agency	4.34
Laser eye treatment	1.03
Marketing automation	7.75

Source: Suggested top-of-page bid (low range) from the Google Keyword Planner in 2021

Google quality score

Understanding quality score is the key to successful paid search marketing. You should consider its implications when you structure the account and write copy or review performance with an agency. Google developed the quality score because it understood that delivering *relevance* through the sponsored links was essential to its users' experience, and the company's profits. Google Ads' help system explains:

> The Ads system works best for everybody; advertisers, users, publishers and Google too when the ads we display match our users' needs as closely as possible. We call this idea 'relevance'.
>
> We measure relevance in a simple way: Typically, the higher an ad's quality score, the more relevant it is for the keywords to which it is tied. When your ads are highly relevant, they tend to earn more clicks, move higher in Ad Rank and bring you the most success.

A summary formula for the Google quality score is:

> Quality score = (keyword's click-through rate, ad text relevance, keyword relevance, landing page relevance, speed and other methods of assessing relevance)

So, higher click-through rates achieved through better-targeted creative copy are rewarded, as is relevance of the landing page (Google now sends out AdsBot-Google to check them out). More relevant ads are also rewarded through ad text relevance, which is an assessment of the match of headline and description to the search term. Finally, the keyword relevance is the match of the triggering keyword to the search term entered.

If you have ever wondered why the number of paid ads above the natural listings varies from none to four, then it's down to the quality score as well as amount bid – you can only get the coveted positions for keywords that have a sufficiently high quality score – you can't solely 'buy your way to the top', as many think.

Advantages and disadvantages of paid search marketing

Paid search ad listings (previously known as sponsored links) are very important to achieve visibility in search engines when an organisation is in a competitive market with high levels of search intent, given the competition to appear on the first page of the natural listing for target keyphrases.

As a result, many companies with an established paid search programme may generate more visits from paid search than SEO, although this wouldn't be true for companies that are class leaders in SEO.

Advantages of paid search marketing

The main benefits of paid search marketing are:

- **The advertiser is not paying for the ad to be displayed.** As we explained at the start of Chapter 8, wastage is much lower with paid search compared to traditional advertising. Cost is only incurred when an ad is clicked on and a visitor is directed to the advertiser's website. Hence it's a cost-per-click (CPC) model! However, there are increasingly options for paid search marketing using other techniques – Google also offers CPM (site targeting) options on the **Google Display Network (GDN)**, where contextual ads are displayed on third-party sites relevant to the content on a page.
- **PPC advertising is highly targeted.** The relevant ad with a link to a destination web page is only displayed when the user of a search engine types in a specific phrase (or the ad appears on the content network, triggered by relevant content on a publisher's page), so there is limited wastage compared to other media. YouTube users can also be targeted through Google's 'promoted video' PPC option. Users responding to a particular keyphrase or reading related content have high intent or interest and so tend to be good-quality leads.
- **Good accountability.** With the right tracking system, the ROI for individual keywords can be calculated.
- **Predictable.** Traffic, rankings and results are generally stable and predictable in comparison to SEO. If budget is available to compete, it will be possible to attract relevant traffic. Merkle (2020) reports that for smartphones, the average percentage of search clicks on ads in the United States is around 70 per cent while for desktop it is significantly lower at 30 per cent.
- **Technically simpler than SEO.** Position is based on combination of bid amount and quality score, whereas SEO requires long-term, technically complex work on page optimisation, site restructuring and link building.
- **Remarketing.** Google offers a remarketing option for retargeting through cookies placed on the searcher's computer to display ads on the content network after someone has clicked on a paid search ad or visited a specific page on a site as a reminder to act. RLSA (remarketing lists for search ads) is a retargeting option where ads are displayed in the SERPs where someone has previously interacted with a brand. These can be effective in boosting the conversion rate to lead or sale.
- **Prospecting with Customer Match.** By uploading a list of email addresses of prospects or customers, i.e. similar audiences, Google can serve ads to people who are similar in terms of their profile and behaviour.
- **Speed.** PPC listings get posted quickly, usually in a few days (following editor review). SEO results can take weeks or months to be achieved. Moreover, when a website is revised for SEO, rankings will initially drop while the site is re-indexed by the search engines.
- **Branding.** Tests have shown that there is a branding effect with PPC, even if users do not click on the ad. This can be useful for the launch of products or major campaigns.
- **Artificial intelligence tools.** Provided by Google and other providers, these can be used to automate the targeting and bidding process. Google provides 'Smart campaigns', which use machine learning from historical search data to select target keywords and bids to achieve goals; however, it provides granular analysis and control. 'Smart Shopping' provides automation for retailer product feeds aiming to maximise conversion value.

Google Display Network (GDN)
Different types of online publishers agree for Google to display contextual ads on their sites for a fee, for example as part of the AdSense programme.

Disadvantages of paid search marketing

There are disadvantages to be managed, some of which are reduced by the new AI-based tools:

- **Competitive and expensive.** Since pay-per-click has become popular, some companies may get involved in bidding wars that drive bids up to an unacceptable level. Some phrases such as 'car insurance' can exceed £10 per click.

- **Inappropriate.** For companies with a lower budget or a narrower range of products on which to generate lifetime value, it might not be cost-effective to compete.
- **Requires specialist knowledge.** PPC requires a knowledge of configuration, bidding options and of the reporting facilities of different ad networks. Internal staff can be trained, but they will need to keep up to date with changes to the paid search services.
- **Time-consuming.** To manage a PPC account can require daily or even hourly checks on the bidding in order to stay competitive. This can amount to a lot of time. The tools and best practice vary frequently, so keeping up to date is difficult.
- **Irrelevant.** Sponsored listings are only part of the search engine marketing mix. Many search users do not click on these because they don't trust advertisers, although these are mainly people involved in marketing!

Best practice in planning and managing paid search marketing

With PPC, as for any other media, media buyers carefully evaluate the advertising costs in relation to the initial purchase value or lifetime value they feel they will achieve from the average customer. As well as considering the cost-per-click (CPC), you need to think about the conversion rate when the visitor arrives at your site. Clearly, an ad could be effective in generating click-throughs or traffic, but not achieve the outcome required on the website such as generating a lead or online sale. This could be because there is a poor-incentive call-to-action, or the profile of the visitors is simply wrong. One implication of this is that it will often be more cost-effective if targeted microsites or landing pages are created specifically for certain keyphrases, to convert users to making an enquiry or sale. These can be part of the site structure, so clicking on a 'car insurance' ad will take the visitor through to the car insurance destination page on a site rather than a home page.

Table 9.3 shows how cost-per-click can differ between different generic (e.g. 'car insurance') and specific (e.g. 'women's car insurance') keywords, as well as the impact of different conversion rates on the overall CPA. The table also shows the cost of PPC search in competitive categories and why companies will strive to maximise their quality score to help reduce costs.

The cost-per-customer acquisition (CPA) can be calculated as follows:

$$\text{Cost per acquisition} = \frac{100}{\text{conversion rate \%}} \times \text{cost-per-click}$$

Given the range in costs, two types of strategy can be pursued in PPC search engine advertising. If budget permits, a premium strategy can be followed to compete with the major competitors who are bidding the highest amounts on popular keywords. Such a strategy is based on being able to achieve an acceptable conversion rate once the customer arrives on the website. A lower-cost strategy involves lower bids or bidding on lower-cost, less-popular phrases. These will generate less traffic, so it will be necessary to devise a lot of these phrases to match the traffic from premium keywords.

Table 9.3 Examples of cost-per-click and CPA figures

Keywords	Clicks/day	Avg. CPC	Cost/day	CPA @ 25% conversion	CPA @ 10% conversion
'car insurance'	1,323	€15.6	€20,640	€62	€156
'cheap car insurance'	199	€14.6	€2905	€58	€146
'women's car insurance'	4	€11.6	€46	€46	€116

Optimising pay-per-click

Each PPC keyphrase ideally needs to be managed individually in order to make sure that the bid (amount per click) remains competitive in order to show up in the top of the results. Experienced PPC marketers broaden the range of keyphrases grouped into ad groups to target lower-volume phrases. Since large retail advertisers will typically manage thousands of keywords to generate click-throughs, manual bidding soon becomes impractical.

Some search engines include their own AI-based management tools including Google's Smart campaigns and Smart Shopping, but if an organisation is using different pay-per-click schemes or has complex accounts, it may make sense to use a single tool such as Skai, Acquisio or Marin to compete. Some of these tools have the advantage that they can also be used for managing social media and display ad campaigns.

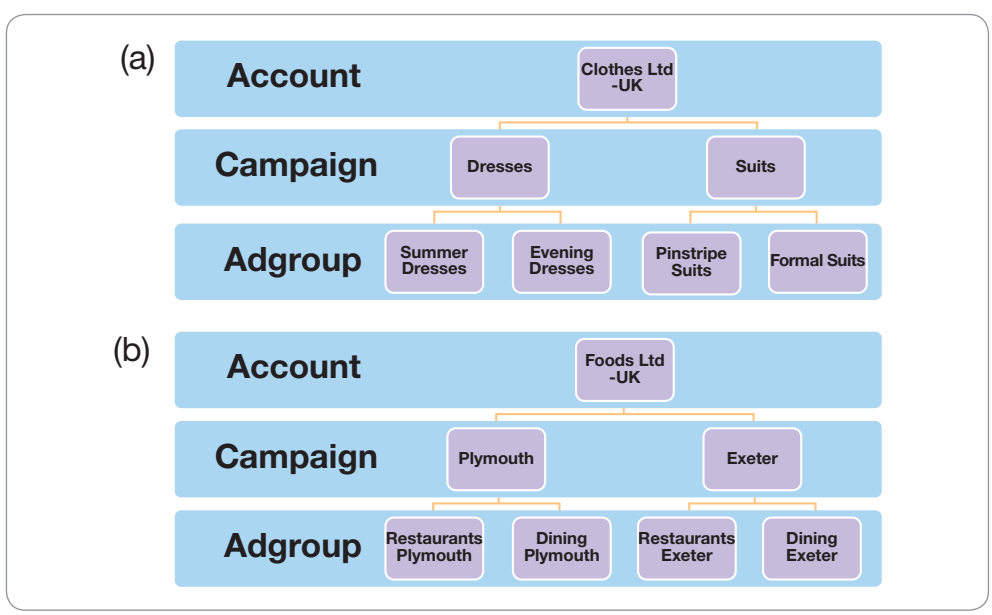
The current CPC is regularly reviewed and your bid is reduced or increased to maintain the position you want according to different strategies and ROI limits, with amounts capped such that advertisers do not pay more than the maximum they have deposited.

Although pay-per-click marketing does not initially appear as complex as search engine optimisation, in reality there are many issues to consider. In the next section we explain some of the main techniques and questions for the digital marketer to ask.

1 Targeting

- **Search ad network strategy.** Which of the search networks mentioned above do you use? Which are used in different countries?
- **Display network strategy.** How do you treat the Google Display Network? Do you disable it? Create separate campaigns? Target specific sites using the Placement tool? Develop different creative? Use placement targeting to target specific sites in Google?
- **Campaign structure strategy.** Campaign structure is important to ensure that searches using a specific search term trigger the relevant ad creative. Are ad groups small enough to deliver a message relevant for the keyphrase entered? To understand the type of targeting that is possible, look at these two examples. First, in Figure 9.7(a) we have a campaign structure for an online clothes retailer. It monitors spend and budget by product type, so structures its campaigns accordingly and targets them nationally. Keywords related to each product will trigger ads defined within each ad group. In Figure 9.7(b) is an example

Figure 9.7 Google Ads campaign structures: (a) clothing retailer; (b) restaurant chain



of a campaign for a restaurant chain. It monitors spend and budget by outlet, so structures its campaigns accordingly and targets them to local areas.

- **Keyword matching strategy.** How is creative targeted using the combination of broad match, modified broad match and negative match, phrase match and exact match? Google Ads reports on click volumes for search terms or queries entered by users; these should be reviewed regularly to exclude irrelevant terms that have a low probability of conversion by using negative matches.
- **Search-term targeting strategy.** What are the strategies for targeting different types of keyphrases such as brand, generic, product-specific and different qualifiers (cheap, compare, etc.)?

2 Budget and bid management

- **Budgeting strategy.** Is budget set as maximum cost-per-click (CPC) at the appropriate level to deliver satisfactory return on investment? Is daily budget sufficient that ads are served at full delivery (always present)? Should we use Google's machine learning bid management tools, which can, for example, optimise on conversions?
- **Listing position strategy.** Which positions are targeted for different keywords? The effectiveness of this can be reviewed using a measure in Google Ads reports called Impression Share, which enables relative reach compared to competitors to be evaluated.
- **Bidding strategies.** What is the appropriate maximum cost-per-click for different target keywords and campaigns to maximise effectiveness?
- **Dayparting strategy.** Are ads delivered continuously through the day and week or are certain days and times targeted (e.g. office hours, evening after ad breaks)?
- **Bid adjustments.** This is a tool to simplify the complexity of advertising when different types of mobile devices can be targeted in different locations at different times. If a business isn't seeing such a high return on mobile devices then it can reduce bids.
- **Bid management tool strategy.** Is a tool used to automate bidding? Which?
- **Importance of fake clicks.** Whenever the principle of PPC marketing is described to marketers, very soon a light bulb switches on and they ask, 'So we can click on competitors and bankrupt them?'. Well, actually, no. The PPC ad networks detect multiple clicks from the same computer (IP address) and filter them out.

Bid adjustments
An approach introduced by Google in 2013 as 'enhanced campaigns', but later renamed to simplify the management of ads displayed in different locations, different day parts (times of day) and different devices.

3 Creative testing and campaign optimisation

- **Ad creative and copy strategy.** How are the 95 characters forming ad headlines, description and creative used to encourage click-through (and reduce click-through from unqualified visitors if necessary)? Is alternative copy tested? How are ads tested?
- **Destination or landing page strategy.** How are landing pages improved?
- **Campaign review and optimisation strategy.** What is the workflow for reviewing and improving success? Which reports are used? How often are they reviewed? By whom? Which tests are used? What are the follow-ups?
- **Specialist and innovative paid search techniques.** These include ad extensions, local, international and pay-per-call.

4 Communications integration

- **SEO integration strategy.** How is SEO integrated with paid search to maximise ROI by reducing PPC spend where relevant if target keyphrases rank highly within organic search?
- **Affiliate integration strategy.** How is affiliate marketing integrated with paid search to maximise ROI?
- **Marketing campaign integration strategy.** How are budget and creative changed during offline campaigns?

Digital public relations and influencer relationship management

What is digital or online public relations?

Public relations (PR)
The management of the awareness, understanding and reputation of an organisation or brand, primarily achieved through influencing exposure in the media.

Online influencers or key opinion leaders (KOLs)
Online influencers can include any type of person who publishes online who has a significant following. They can include journalists, bloggers or celebrities.

Digital public relations (online PR)
Maximising favourable mentions of your company, brands, products or websites on third-party websites that are likely to be visited by your target audience. Online or digital PR can extend reach and awareness of a brand within an audience and will also generate backlinks vital to SEO. It can also be used to support viral or word-of-mouth marketing activities in other media.

Online influencer outreach
Identifying online influencers such as bloggers, media owners or individuals with a large online following in the social networks and then approaching them to partner together to communicate with their audience.

Online reputation management
Controlling the reputation of an organisation through monitoring and controlling messages placed about the organisation.

Influencer relationship management (IRM)
A structured process to continuously manage and measure influencer outreach as a programme of campaigns based on content assets and 'always-on' activities against defined goals.

Digital media have become a very important element of **public relations (PR)** and the internet has influenced PR practices (Ye and Ki, 2012). More funds have been allocated to online PR projects, especially through corporate and social blogs, and its contribution to branding strategies has increased significantly (Bush, 2010). Online PR is relevant for businesses of all sizes, since improving reputation, trust and awareness is so important. It is also relatively cost-effective and so appeals to small businesses and startups that can potentially make a big impact with online PR, coupled with content marketing if they harness it effectively.

Digital PR activity is closely associated with improving results from many of the other communications techniques described in this chapter, in particular SEO (link-building), partnership marketing and social media marketing. It is also closely related to content marketing since a core activity in content marketing is 'content distribution', which can involve working with influencers to feature content that has been developed.

But let's start with an understanding of traditional public relations. On its website, the Chartered Institute of Public Relations defines PR as follows:

> Public relations is about reputation – the result of what you do, what you say and what others say about you. Public relations is the discipline which looks after reputation, with the aim of earning understanding and support and influencing opinion and behaviour. It is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics [its target audience including potential customers and stakeholders].

From a practical marketing communications and traffic-building perspective, the main PR activities are media relations or managing influencer outreach with different types of **online influencers or key opinion leaders (KOLs)**, which can be used to reach and influence potential customers. For an example of how agencies recruit and use online influencers see Mini case study 2.1: How social media influencers can shape our opinions: from meat eater to vegan. Some influencer networks have developed to enable brands to use micro-influencers to reach their audiences. For example, **intellifluence.com** is the largest warm influencer marketing network in existence, with over 100,000 verified creators, meaning that brands don't need to approach influencers directly and payment and tracking is handled by a platform. Each will provide categories of influencers to review – for example, **influence.co** lists influencers and number of followers in categories such as Mom, Pets, Photography or Travel.

While websites are important tools for promoting investor relations and CSR (corporate social responsibility), this is not our main focus here.

Digital public relations (online PR) leverages the network effect of the internet and social networks. Remember that 'internet' is a contraction of 'interconnected networks'! Mentions of a brand or site on other sites are powerful in shaping opinions and driving visitors to your site. The main element of online PR is maximising favourable mentions of an organisation, its brands, products or websites, on third-party websites that are likely to be visited by its target audience. Furthermore, as we noted in the section on search engine optimisation, the more links there are from other sites to your site, the higher your site will be ranked in the natural or organic listings of the search engines. **Online influencer outreach** is now an important activity to identify companies or individuals with a strong online following and then use these contacts to influence their audience. Minimising unfavourable mentions, for example monitoring and influencing conversations in blogs and social networks, through **online reputation management** is also an aspect of online PR.

Today, online PR and influencer outreach are often managed as a continuous, year-round process of **influencer relationship management (IRM)**. We think the reason for this change is two-fold. First, an emerging category of software services to identify and communicate with influencers has evolved. This category has been labelled IRM by service vendors since this

shows the value of their products. Second, savvy companies are using influencer outreach on a more structured, more continuous basis to fit with an 'always-on' inbound or content marketing strategy.

Differences between online PR and traditional PR

Researchers suggest that digital media tends to bolster stakeholders' strength and increase organisations' ability to collect information, monitor public opinion and engage in direct dialogue with their publics regarding key issues (McAllister and Taylor, 2007). Ranchhod *et al*. (2002) identify four key differences between online PR and traditional PR that are fundamentals of online PR that remain true today:

1. **The audience is connected to organisations.** Previously, there was detachment – PR people issued press releases that were distributed over the newswires, picked up by the media and then published. These authors say:

   > The communication channel was unidirectional. The institutions communicated and the audiences consumed the information. Even when the communication was considered a two-way process, the institutions had the resources to send information to audiences through a very wide pipeline, while the audiences had only a minuscule pipeline for communicating back to the institutions.

2. **The members of the audience are connected to each other.** Through publishing their own blogs, social profiles or e-newsletters or contributing to reviews or discussions on others, information can be rapidly distributed from person to person and group to group. Consumers will also have their own conversations about their needs and brands, which will shape brand perception and purchase intent. The authors say:

   > Today, a company's activity can be discussed and debated over the Internet, with or without the knowledge of that organisation. In the new environment everybody is a communicator, and the institution is just part of the network.

3. **The audience has access to other information.** Often in the past, the communicator was able to make a statement that it would be difficult for the average audience member to challenge – the internet facilitates rapid comparison of statements. The authors say:

   > It takes a matter of minutes to access multiple sources of information over the Internet. Any statement made can be dissected, analysed, discussed and challenged within hours by interested individuals. In the connected world, information does not exist in a vacuum.

4. **Audiences pull information.** Today this is often known as inbound marketing. Previously there were limited channels in terms of television and press. Today there are many sources and channels of information – this makes it more difficult for the message to be seen. The authors say:

   > Until recently, television offered only a few channels. People communicated with one another by post and by phone. In these conditions, it was easy for a public relations practitioner to make a message stand out.

For the marketer or PR professional managing PR, the main differences are:

- **Less easy to control.** There are many more places a brand can be discussed online, such as in blogs and forums, compared to traditional media where there are a smaller number of media outlets with news filtered through journalists and other editorial staff.
- **More options to create their own stories.** Since a company will have its own site, press centre, feeds and blogs, it is possible to bypass other media owners to some extent. Many companies have now created a 'social media newsroom'.
- **Need for faster response.** It is often said that 'bad news travels fast'. This has been facilitated online and a 'social media storm' can soon arise where many are critical of a brand's action. Rapid-response 'crisis communications' teams are needed. Some brands have created a social media command centre as part of a **social media governance** process based on **social media listening**.

Social media governance
A definition of how companies should respond to social mentions that may give rise to leads or reputational damage.

Social media listening
The process of using monitoring tools to review mentions of a brand and related keywords within social networks and other online sites.

- **Opportunities for proactive real-time campaigns.** Businesses can take advantage of current public interest in breaking news to gain awareness, sometimes known as 'newsjacking'.
- **Easier to monitor.** Since Google and online reputation management tools index many pages, it is arguably easier to identify when a brand is discussed online.

Advantages and disadvantages of online public relations

Advantages of online public relations

The advantages of the proactive online public relations techniques that seek to build a buzz around a campaign or to gain favourable mentions and links on third-party sites are:

- **Reach.** Online PR can be a relatively low-cost method of directly reaching a niche audience, or a mass audience if the brand is amenable to stories that are of interest to publishers. This is often the case for new online brands and startups. For example, Dollar Shave Club™ (**www.dollarshaveclub.com**) gained initial awareness of its subscription service through a humorous, self-deprecating video from its founder (**https://www.youtube.com/watch?v=ZUG9qYTJMsI**). If buzz around an online campaign orchestrated through online PR is successful, then additional reach and impact may also be generated by traditional media such as TV, print and radio.
- **Cost.** The costs for online PR are the agency or internal staff fees for developing the online PR plan, concepts and content. Since there are no media placement costs, this can be cost-effective.
- **Credibility.** Comments that are made by a person independent from a company are considered more authentic and so can help raise trust about an online provider such as a retailer. You can see that personal recommendations are particularly important and seem to be trusted more than content sites giving reviews and opinions (although these are still given credence by many web users).
- **Search engine optimisation.** Online can help generate backlinks to a site that are favourable for SEO, often from large sites such as online newspapers or magazines that have good link equity.
- **Brand enhancement and protection.** Favourable stories can enhance the reputation of a brand among its target audience and amplification through influencers can help reach a new audience. But since unfavourable media mentions may damage a brand, so monitoring and response to these is a necessity for most brands.

Disadvantages of online public relations

The main disadvantage of online PR is that it is not a controlled discipline like online advertising techniques such as pay-per-click marketing or display advertising, where the returns generated will be known for a given expenditure. In other words, it could be considered a high-risk investment.

Many marketers are also wary of creating blogs or forums on their sites that may solicit negative comments. However, there are counter-arguments to this, namely that it is best to control and be involved with conversations about a brand on the site rather than when it is less controlled on third-party sites. For example, car brands such as Honda and Volvo enable web users to make comments about their cars, which are published on the site; this shows they are transparent, listening to customer comments and gaining valuable sentiment that can feed into new product development ideas.

Best practice for online public relations and IRM

In this section we will review the different types of online PR activities and techniques to improve results from these activities. Onalytica (2017) have created this useful framework (Table 9.4), which suggests how you can measure your influencer programme at a top level.

Table 9.4 Measures for assessing an influencer relationship management programme (IRM)

INPUTS		OUTPUTS		OUTCOMES			
ACTIVITY		ACTIVATED		ADVOCACY		ACTION	
Program	Number of influencers invited to your influencer program	**Program influencers**	Number of influencers who have accepted your program invitation	**Brand attention**	Volume of target influencer posts talking about your brand, sub-brands or products compared to competitors'	**Brand awareness**	Volume of influencer posts from wider influencer community/ media talking about your brand, sub-brands or products compared to competitors'
Social influencer outreach	Number of offline & social outreach posts to target influencers	**Event influencer attendance**	Number of influencers attending your events (offline/ online)	**Brand association**	Volume of target influencer posts about your brand or products in association with key themes, product/ solution categories or reputation drivers compared to competitors'	**Brand perception**	Change in semantic language from wider influencer community/ media around a brand, product, policy or reputational issue
Event invites	Number of events (offline/ online) organised where influencers are invited to participate	**Brand influencer engagement**	Number of influencers engaging with your brand, internal SMEs, advocates or evangelists (offline/ online) compared to competitors	**Influencer generated content**	Volume of content created in collaboration with target influencers on key topics or themes	**Lead gen**	Volume of site traffic/downloads/ subscriptions/user adoption though influencer referral traffic (unique content URLs)
Employee advocate recruitment	Number of internal subject matter experts, advocates or evangelists recruited to influence the influencers	**Influencer**	Number of influencer relationships you have developed	**Brand preference**	Volume of target influencer posts talking positively about or recommending your brand, sub-brands or products compared to competitors'	**Sales revenue**	% of influencer referral site traffic/total site traffic multiplied by conversion revenue OR number of sales through unique coupon code/landing page used only for program

INFLUENCER PIPELINE		
IDENTIFIED	ENGAGED	ADVOCATE

Source: Russell (2017)

It is effectively an 'influencer pipeline', where the top of the funnel is on the left and specific activity to outreach to and engage influencers is measured to the right. At a programme level, a number of invited influencers are compared against influencers who have accepted and are active and what they have shared. This can be measured through social media updates or, ideally, in B2B articles and blog posts on their sites. The activity of an IRM programme is also indicated by influencer involvement in online and real-world event attendance. If a business has multiple sectors and audiences that will require different specialist influencers, then you may need different measures for different sectors for each row. This is alluded to in the employee advocate recruitment row, where different subject matter experts in the company will recruit different influencers. As an example of how different influencers can be managed and measured separately, at Smart Insights we use the IRM tool BuzzStream to have a list of influencers tagged for each digital marketing activity, e.g. digital strategy, SEO, email marketing, e-commerce, etc. Influencers are tagged by activity and their influence level. Custom-shortened links from a service such as Bitly (**www.bitly.com**) for each influencer can be used with different Google Analytics campaign-tracking parameters.

Segmenting influencers

Influencers come in many 'shapes and sizes', and some are potentially more influential than others. Through defining criteria for influence and grouping similar types of influencers, businesses can prioritise their use of resources for managing. Onalytica (2017) defines these types:

- **Everyday influencers.** Typical web and social media users who don't consider themselves influencers, but can influence friends and colleagues.
- **Brand advocates.** A customer that is highly satisfied with your product/brand, who tends to spread positive word of mouth, content and recommendations without being paid to do so.
- **Micro-influencers.** Have a relatively low reach but are highly relevant, tend to enjoy high engagement rates and create high-quality content on a blog or social media:

  Example: Alisha, 21 years old, fashion student. 2,000 followers on Instagram. She loves her camera and creates great content, but she likes the perks of being able to work with brands to create content and earning money in the process.
  Example: Haroon, 30 years old, 10,000 followers on Twitter. He is passionate about the environment, creates great content on his blog, generates high levels of engagement on social and is very well connected to industry experts and fellow influencers.

- **Professional influencers.** These influencers have sufficient reach and potential impact that they are paid, or their content supports their business or personal aims. They typically get referenced by their peer influencers as the authority on certain topics or product categories:

  Example: Dave, 40 years old, FinTech expert, 60,000 followers on Twitter. He has written a book, speaks at events across North America, Europe and Asia and consults with brands to help deliver innovation to the financial industry.
  Example: Claire, 45 years old, parent and lifestyle blogger, 80,000 followers on Instagram and/or Twitter and has a blog with 1.5 million views per year. She is well known and very influential within the parent forums and community globally, and focuses on health and well-being as well as promoting products for babies and young children.

- **Macro-influencers.** This type of influencer is more established, both in personality and content, and their fame has risen to a level where they are now represented by a manager or a talent agency:

  Example: Ahmed has been creating video game YouTube videos since 2012 – has been working steadily with brands for the past few years, has an established audience of 200,000 subscribers and has been approached by talent agencies to help him grow as an influencer.

- **Celebrity influencers.** Also represented by a manager or talent agency, they are perceived as inspiring and consumers often look to celebrity influencers for guidance and inspiration. They are often expensive, you pay a premium for this type of influencer, and engagement rates are significantly lower than those with fewer followers:

  Example: Kim Kardashian.

Assessing influence

Assessing the relative value of different influencers is challenging. It's common to start with the size of reach – for example, the number of Twitter followers, but this can be dangerous. Some Twitter users grew their followers rapidly through 'autofollow' bots before Twitter prevented this. You can see this phenomenon with a free tool such as Followerwonk (**followerwonk.com**) in place, where the top users are following hundreds of thousands of users. They have clearly not done this manually.

The following 4Rs framework for assessing influencer popularity, recommended by Onalytica (2017), doesn't start with reach, instead it starts with other factors:

- **High relevance** is where influencers are focused/known for discussing a topic that is of interest to an audience and related to a product or service.
- **High resonance** demonstrates that the influencer is creating an impact with their audience, rather than having a large audience that they fail to engage.
- **High reference** is useful for identifying thought leaders or conference speakers who are respected as an authority by their peer influencers. This can emphasise the network effect as their connections may share content.
- **High reach** is simply the size of an influencer's audience and their popularity.

Creating effective content to support influencer outreach

Ultimately, particularly for using influencers in B2B marketing, defining the right types of content for them to create, discuss and share is critical to success. Influencers will be more passionate about a brand and more likely to share content and product recommendations if it is of a high quality. Defining a content marketing strategy is outside the scope of this chapter and we referenced it in Chapter 8.

Blogs and blogging

Blog
Personal online diary, journal or news source regularly updated by one person, an internal team or external guest authors. Postings are usually in different categories. Typically, comments can be added to each blog posting to help create interactivity and.feedback.

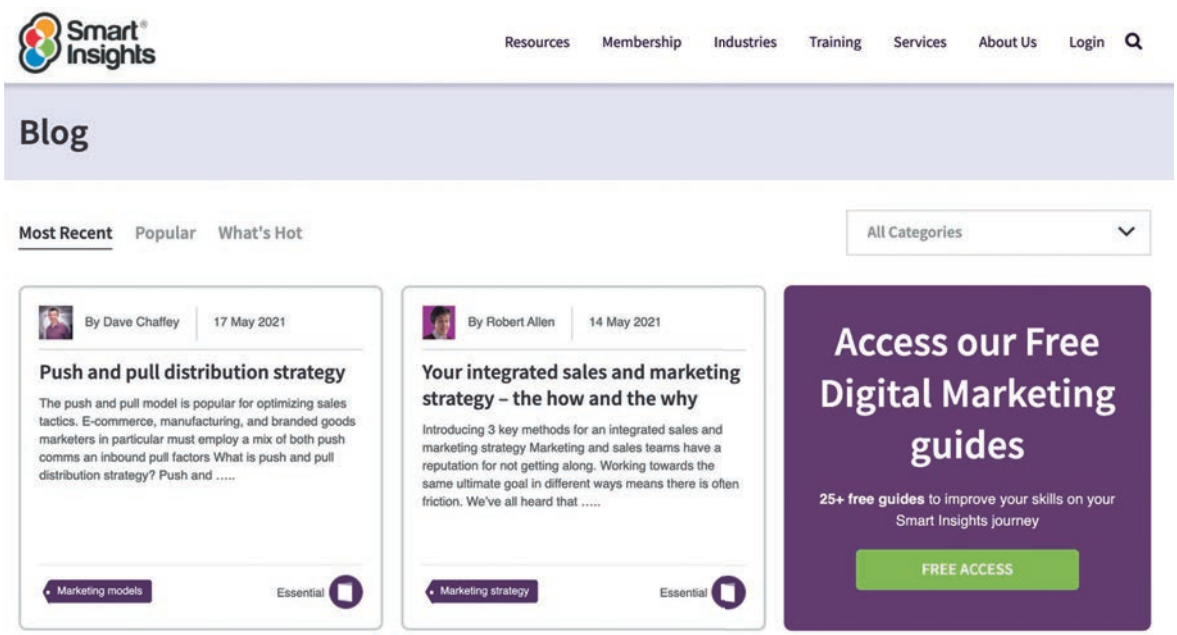
Blogs give an effective method for companies to regularly publish articles, images and video to engage their prospects, customers and influencers. Feedback and link trackback comments from other sites are sometimes incorporated, but have become less common due to 'spamming' of comments for purposes of SEO, even though they typically have little influence on organic search because search engines such as Google ignore them.

There are many free or low-cost services that enable any influencers to blog (for example **wordpress.com, www.wix.com** and **www.squarespace.com**). The blogging format enables the content on a website to be delivered in different ways. For example, the Smart Insights blog has a lot of rich content related to digital marketing, which can be accessed in different ways:

- **By topic** (in categories or topics to browse). For example, 'marketing model' category (Figure 9.8).
- **By tag** (more detailed topics – each article will be tagged with several tags to help them appear in searches). For example, 'B2B' or 'case studies'.
- **By author** (features from different columnists who can be internal or external). Guest posting is an effective method for both guest author and blog to increase reach.
- **By time** (all posts broken down by the different methods above are in reverse date order).

Through considering how the site is structured and following best practices for SEO, even a niche marketing blog such as Smart Insights can attract millions of visitors each quarter, the majority (75 per cent) through organic search.

Figure 9.8 Smart Insights blog (www.smartinsights.com)



Source: Smart Insights (Marketing Intelligence) Ltd

Although some forecast that blogs would become less important with the publishing of content on social networks, they have remained important in many business and consumer sectors since they enable a more in-depth exploration of interest in topics, and many influencers have their own blog.

Podcast
Individuals and organisations post online media (audio and video) that can be viewed in the appropriate players including the iPod, which first sparked the growth in this technique.

Podcasts are related to blogs since they can potentially be generated by individuals or media organisations to voice an opinion, either as audio (typically MP3) or video (video podcasts used by video bloggers or vloggers). Video-sharing sites include YouTube and Dailymotion™.

Another way of sharing content important in professional B2B markets is through slide-sharing sites such as Scribd and SlideShare.

Really Simple Syndication feeds

Really Simple Syndication (RSS) feed
Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader software services. Now typically shortened to 'feed', e.g. news feed or sports feed.

Really Simple Syndication (RSS) is closely related to blogging, where blog, news or any type of content such as a new podcast is received by subscribers using a feed reader such as Feedly™ (**www.feedly.com**). Although typically limited to business professionals and journalists, they offer a method of receiving multiple news sources in a feed that uses a different broadcast method from email, so is not subject to the same conflicts with spam or spam filters. Unlike social media, all updates are displayed rather than only some. Many journalists now subscribe to RSS feeds and access them through feed readers such as Feedly, which can also be used by marketers for competitor review.

Historically, journalists can be influenced online through: a press-release area or social media newsroom on the website; creating email alerts, social media or RSS updates about news that journalists and other third parties can sign up to; and news stories or releases submitted to online news feeds. Examples of feeds include PR Newswire™ (**www.prnewswire.com**) and PRWeb™ (**www.prweb.com**), which are owned by Cision. Press releases can also be written for search engine optimisation (SEO) since they will link back to the site, although most links to sites are now nofollowed, which, as explained in the earlier

section on SEO, don't confer direct SEO benefits, and direct outreach to journalists is usually more effective.

However, an increasing number of journalists now rely on blogs and feeds for finding sources for stories rather than traditional press releases, so engaging influencers through IRM is now more important given the limited impact of press releases. Charles Arthur (2006), in a posting, 'Why I'm not reading PR emails to get news stories any more', says:

> I'm not going to read things that are obviously press releases because the possibility of it just being annoying or irrelevant is too great; I'm going to go to my aggregator instead, because I've chosen every feed there for its potential interest. I pay more attention to my RSS feeds because they're sources I've chosen, rather than the emails I get from PR companies.

Mashups
Websites, pages or widgets that combine the content or functionality of one website or data source with another to create something offering a different type of value to web users from the separate types of content or functionality.

Mashups

Mashups (a term originally referring to the pop music practice, notably hip-hop, of producing a new song by mixing two or more existing pieces) are sites or widgets that combine the content or functionality of one website with another to create something offering a different type of value to web users from the other types of content or functionality. In practice they provide a way of sharing content between sites and stitching together sites through exchanging data in common XML-based standards such as RSS or APIs. For example, some blogs include widgets showing their latest updates from Facebook and Twitter.

Digital partnerships including affiliate marketing

We showed in Chapter 5 that partnerships are an important part of today's marketing mix. We have also seen in this chapter that working with partner sites in influencer outreach is a key part of content marketing, SEO and online PR. Resources must be devoted to managing your online partners. Many large organisations have specific staff to manage these relationships. In smaller organisations, partnership management is often neglected, which is a missed opportunity. There are three key types of online partnerships that need to be managed: co-marketing and influencer outreach (covered in the previous section); affiliate marketing; and online sponsorship. The main and most important form of partnership marketing for transactional e-commerce sites that we review in this section is affiliate marketing. Co-marketing involves a formal or informal partnership agreement reached between different businesses to promote each other, typically based on sharing content (and potentially promotions) principally to the audience of owned media channels such as social media, blog and email marketing. **Co-marketing** is a good option to consider for businesses that are not in the retail sector, and may also be known as 'contra-deals'; it has the advantage that it is low cost, since the main cost is staff time to develop joint campaigns and share content.

Co-marketing
A partnership agreement reached between different businesses to promote each other, typically based on sharing content (and potentially promotions) principally to the audience of owned media channels such as social media, blog and email marketing.

Affiliate marketing

Affiliate marketing divides opinion among marketers and agencies as to its value. The discussion revolves around the value of affiliate marketing in generating incremental sales. There is no doubt that affiliates can generate more sales at a controlled cost, the question is whether these sales would have occurred anyway if a brand is well known. For example, Amazon has an affiliate programme but it could be argued that its brand is so well known and it has such a large customer base that it would receive many sales anyway. However, Amazon has run its programme for over ten years and, although it has reduced commissions, it is still running and is used to promote new product offerings such as music downloads.

What is affiliate marketing?

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

Performance marketing
Sometimes used as an alternative term for affiliate marketing, which includes payment for lead, sale, but also click, so it is a broader term including other online paid media such as display advertising and biddable media including pay-per-click and programmatic advertising.

Affiliate marketing is the ultimate form of marketing communications since it is what is known as a 'pay-per-performance' marketing method and it's a commission-based arrangement where the merchant only pays when they make the sale or get a lead. Compare this to the wastage with traditional advertising or direct mail! It can also drive a volume of business in a range of sectors – many banks, travel companies and online retailers get more than 10 per cent of their sales from a well-run affiliate marketing programme. It's not so suitable though for business products or lower-priced consumer products since it will not be sufficiently profitable for the affiliates, and it may be difficult to recruit sufficient affiliates. Increasingly, affiliate marketing is known as **performance marketing (PM)**. The Performance Marketing Association (PMA) describes performance marketing as a:

> comprehensive term that refers to online marketing and advertising programs in which advertisers (a.k.a., 'retailers' or 'merchants') and marketing companies (a.k.a, 'affiliates' or 'publishers') are paid when a specific action is completed; such as a sale, lead or click.

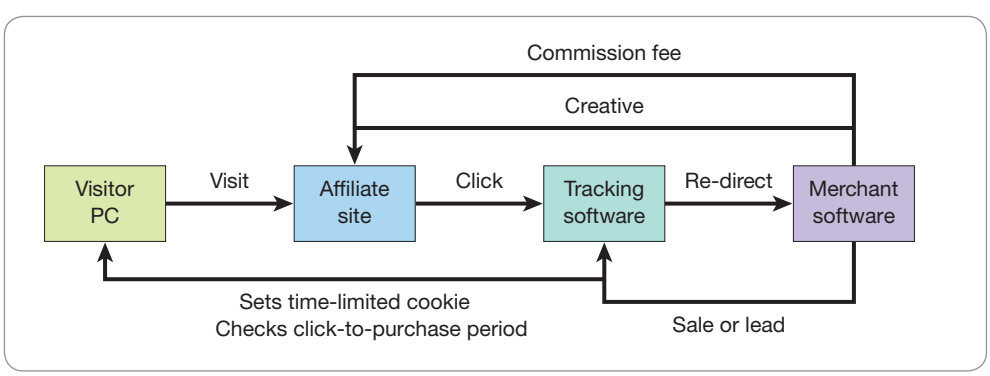
You can see from this definition that performance marketing is similar to affiliate marketing, but it is expanding in scope to include paid media such as pay-per-click advertising, which includes display advertising, programmatic advertising and Google Ads. This reflects the way that paid media is organised in some larger organisations with some people who are responsible for all these types of paid media.

Figure 9.9 summarises the affiliate marketing process. You can see that when a visitor to an affiliate site (who may be an online publisher or aggregator) clicks through to a merchant site, this prospect will be tracked through a cookie placed on the visitor's PC. If the prospect later transacts within an agreed period or 'cookie window', usually 1, 7, 30, 60 or 90 days, the affiliate will be credited with the sale through an agreed amount (percentage of sale or fixed amount).

Digital marketers need to be selective in choosing the right forms of affiliate marketing, and not all may be desirable. These are the options of affiliate marketing models for you to consider:

- **Aggregators.** These are the major comparison sites, such as Kelkoo, uSwitch™ and Moneysupermarket. These aren't strictly affiliates since some, such as Kelkoo and Shopzilla™, charge on a cost-per-click basis, but Uswitch and Moneysupermarket have a CPA model as well. Google Product Listing Ads (PLA) (formerly Froogle, now part of Google Ads) uses a CPC model.
- **Review sites.** For example, CNET software or hardware reviews, or maybe startups such as Reevoo™ or Review Centre™. These all link to merchants based on cost-per-click or cost-per-acquisition deals.

Figure 9.9 The affiliate marketing model (note that the tracking software and fee payment may be managed through an independent affiliate network manager)



- **Rewards sites.** These split the commission between the reward site and its visitors. Examples are TopCashback or Quidco™.
- **Voucher code sites.** MyVoucherCodes or hotukdeals are typical. If you have some great deals to entice first-time shoppers you should generate business, although many search by well-known brand.
- **Über-bloggers.** Martin Lewis's MoneySavingExpert™ is an incredibly popular site due to his PR efforts and great content. Although he has no ads, he is an affiliate for many sites he recommends.
- **Everyone else.** They don't tend to be high-volume super-affiliates like all the above, but they're collectively important and you can work with them via affiliate networks such as CJ Affiliate™ or Tradedoubler™. They often specialise in SEO or PPC.

Advantages and disadvantages of affiliate marketing

Advantages of affiliate marketing

Many of the benefits of affiliate marketing are closely related to search engine marketing since affiliates are often expert at deploying SEO or PPC to gain visibility in the search results pages. The main benefits of affiliate marketing are:

- **SERPs visibility.** Gain more visibility in the paid and natural listings of the SERPs (increase 'share of search' page).
- **Reach different audiences.** Can use different affiliates to target different audiences, product categories and related phrases.
- **Responsiveness to marketplace changes.** Affiliates may be more responsive than your in-house or agency teams in terms of algorithm changes for SEO or changes in bidding approaches for PPC. They are also great at identifying gaps in your search strategy. For example, they may be quicker at advertising on new products, or may use keyphrase variants that you haven't considered.
- **Target generic phrases in SERPs.** Enables you to reach customers through generic phrases (e.g. 'clothing') at a relatively low cost if the affiliates secure better positions in natural listings.
- **Increase reach in SERPs.** Increase the reach of your brand or campaign since affiliate ads and links featuring you will be displayed on third-party sites.
- **Generate awareness.** Can be used to generate awareness of brand or new products for which a company is not well known.
- **Diversity risk.** Use of affiliates reduces the risk caused by temporary or more fundamental problems with your SEM management or other digital marketing programmes.
- **Pay-per-performance.** The costs of acquisition can be controlled well.

Disadvantages of affiliate marketing

There can be substantial drawbacks to an affiliate marketing programme that arise from the fact that your affiliates are mainly motivated by money. It follows that some of them may use unethical techniques to increase their revenue. Potential disadvantages are:

- **Incremental profit or sales may be limited.** You may be cannibalising business you would have achieved anyway.
- **Affiliates may exploit your brand name.** This is particularly the case where affiliates exploit brand names by bidding on variations of it (for example 'Dell', 'Dell Computers' or 'Dell laptop') or by gaining a presence in the natural listings. Here there is already awareness. It is important to prevent this, and many affiliate programmes exclude brand bidding, although affiliates can have a role in displacing competitors from the listings for brand terms.
- **May damage brand reputation.** Your ads may be displayed on sites inconsistent with your brand image, such as gambling or pornography sites. Alternatively, creative may be out of date, which could be illegal.

- **Programme management fees.** If using an affiliate network to manage your campaigns they may take up to 30 per cent of each agreed affiliate commission as additional 'network override'.
- **Programme management time.** Affiliate marketing is founded on forming and maintaining good relationships. This cannot be done through the agency alone and marketers within a company need to speak to their top affiliates.

Best practice in planning and managing affiliate marketing

In this section we will review how affiliate networks can be used to improve the results from affiliate marketing and the main controls on affiliate marketing, i.e. commission, cookie periods and creative. It is important that these parameters are clearly defined in the affiliate agreement to reduce the likelihood of abuse.

Affiliate networks

Affiliate network
Third-party brokers, also known as affiliate managers, that manage recruitment of affiliates and infrastructure to manage a merchant's affiliate programme in the form of links, tracking and payment of a range of affiliates.

To manage the process of finding affiliates, updating product information, tracking clicks and making payments, many companies use an **affiliate network** or affiliate manager such as the US/European networks CJ™ (**www.cj.com**), Rakuten Advertising™ (**www.rakutenadvertising.com**) or Tradedoubler™ (**www.tradedoubler.com**, mainly European). Since the affiliate network takes a cut on each sale, many merchants also try to set up separate relationships with preferred affiliates, often known as 'super-affiliates'.

Since many of the important affiliates are members of more than one affiliate network programme, it is usually found that it is not worthwhile for a merchant to join more than two affiliate networks. They also need to be careful that several affiliates are not credited for multiple sales, since this quickly becomes unprofitable for the merchant.

Commission

In affiliate marketing, it is vital that commission is set at such a level that it incentivises affiliates to preferentially promote a merchant's products, while at the same time being profitable.

Earnings per click (EPC)
A relative measure of the effectiveness of a site or section of a site in generating revenue for the site owner through affiliate marketing for every 100 outbound clicks generated.

The affiliates or publishers are naturally obsessive about their **earnings per click (EPC)**. This is average earnings per click and is usually measured across 100 clicks.

EPC is a crucial measure in affiliate marketing since an affiliate will compare merchants on this basis and then usually decide to promote those with the highest EPC, which will be based on the commission levels and the conversion rates to sale for different merchants.

A merchant will set commission levels according to a product's awareness level within a merchant's portfolio of products or how much they feel they need to promote them. It will also be worth increasing commissions when there is a favourable promotion on a product since affiliates will then promote it, knowing that their EPC is more likely to increase. Less-well-known products or newly launched products will often have more favourable commissions. For example, **Tesco.com** has used affiliates for different products with different commission as follows:

- e-diets commission from £12 on 1–9 sales to £20 on 61+ sales;
- wine at 2 per cent on lowest tier to 3 per cent on the Gold tier of sales of > £2,500;
- grocery and utilities – flat fee of £5 for first-time purchase only.

Cookie expiry period

Affiliates' EPC will also depend on the cookie expiry period agreed on the time between a visitor clicking on the affiliate link and the sale being accredited to the affiliate. Common times are 7, 30 or 90 days. A longer cookie period will result in a higher EPC. Prussakov (2011a) recommends that 60 to 90 days is often best to incentivise affiliates in competitive markets with a longer decision-making period. Merchants don't typically want to pay

multiple affiliates for a single sale. Instead, it is usually the last referring affiliate that is credited, or a mix between the first and last, so a good tracking system is required to resolve this. Prussakov (2011b) argues that the majority purchase within a shorter period of within a few days, so a longer period gives a better incentive without adversely affecting profitability.

Creative and links

Managing the creative that affiliates use to promote a merchant is a challenge since creative needs to be up to date in line with different promotions or it may be misleading, or even illegal. So this needs to be monitored by the affiliate manager. Many merchants now provide live product feeds to affiliate networks in order to keep their promotions and product pricing up to date.

There are risks of brand damage through affiliates displaying creative on content that a merchant might feel was not complementary to their brand (for example, a gambling site). This needs to be specified in the affiliate agreement – sites need to be reviewed carefully before affiliates are permitted to join a specific programme, and additional sites used by each affiliate should be monitored.

Another form of brand or trademark abuse is when an affiliate bids on a merchant's brand name such that they may receive credit for a sale when a prospect was already aware of the merchant (as explained in Chapter 3 in the legal section). The limits of this should also be specified within the affiliate agreements and monitored carefully.

Online sponsorship

Online sponsorship is not straightforward. It's not just a case of mirroring existing 'real-world' sponsorship arrangements in the 'virtual world', although this is a valid option. There are many additional opportunities for sponsorship online that can be sought out, even if you don't have a big budget at your disposal.

Ryan and Whiteman (2000) define online sponsorship as:

> the linking of a brand with related content or context for the purpose of creating brand awareness and strengthening brand appeal in a form that is clearly distinguishable from a banner, button or other standardised ad unit.

For the advertiser, online sponsorship has the benefit that their name is associated with an online brand that the site visitor is already familiar with. So, for users of a publisher's site, with which they are familiar, sponsorship builds on this existing relationship and trust.

Paid-for sponsorship of another site, or part of it, especially a portal, for an extended period is another way to develop permanent links. **Co-branding** is a lower-cost method of sponsorship and can exploit synergies between different companies. Note that sponsorship does not have to drive visitors directly to a brand site – it may be more effective if interaction occurs on the media owner's microsite.

Co-branding
An arrangement between two or more companies that agree to jointly display content and perform joint promotion using brand logos, email marketing or banner advertisements. The aim is that the brands are strengthened if they are seen as complementary. Co-branding is often a reciprocal arrangement, which can occur without payment as part of a wider agreement between partners.

A great business-to-business example of online sponsorship is offered by WebTrends, which sponsors the customer information channel on **ClickZ.com**. It combines this sponsorship with different ads each month, offering e-marketers the chance to learn about different topics such as search marketing, retention and conversion marketing through detailed white-papers and a 'Take 10' online video presentation by industry experts that can be downloaded by registered users. The objective of these ads is to encourage prospects to subscribe to the WebTrendsWebResults e-newsletter and to assess purchase intent at sign-up, enabling follow-up telemarketing by regional distributors. WebTrends has reported the following results over a single year of sponsorship:

- list built to 100,000 WebResults total subscribers;
- 18,000 Take 10 presentations;
- 13,500 seminar attendees.

Co-branding and contra-deals

Contra-deals
A reciprocal agreement in the form of an exchange where payment doesn't take place. Instead, services or ad space to promote another company as part of co-branding occurs.

Co-branding of sites or emails are closely related to online sponsorship. These **contra-deals**, as they are sometimes referred to, typically occur where there is an association between two brands and they are complementary but not competitive.

For example, one online publisher may offer subscribers the chance to sign up with newsletters from another company, a process known as 'co-registration'.

Co-branding can be a cost-effective form of online marketing, but specific resources such as an 'online partnership manager' have to be put in place to set up and manage the relationships between partners. This will often be part of an affiliate manager's role.

Digital display advertising

What is digital display advertising?

Digital display advertising
Display ads are paid ad placements using graphical or rich media ad units within a web page or app to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to interact or 'rollover' to play videos, complete an online form or to view more details by clicking through to a site.

Ad serving
The term for displaying an advertisement on a website. Often the advertisement will be served from a web server different from the site on which it is placed.

Destination website
Site typically owned by a retailer or manufacturer brand, which users are encouraged to click through to.

Microsite
A small-scale destination site reached on click-through that is part of the media owner's site.

Digital display advertising involves an advertiser paying for an advertising placement on third-party sites such as publishers, social networks or within mobile apps. The process usually involves **ad serving** of a static 'banner ad' or video from a different server from that on which the page is hosted. Ad serving uses a specialist SaaS application such as Google Ad Manager (**https://admanager.google.com/home/**) or Google AdSense, which is typically used by smaller advertisers advertising on the Google Display Network. The aim of the ad server is to help site owners sell, schedule, optimise revenue, serve ads and measure directly sold and network-based inventory. The majority of Facebook advertising revenue is within feeds in Facebook and Instagram; it also has an audience network, but this serves fewer ads than Google within apps and publisher sites. In many countries, ad expenditure on what has been called the Facebook and Google 'ad duopoly' accounts for the majority of ad revenue, such as the United Kingdom where marketing publisher The Drum (Glenday, 2021) presents an estimate by the Competition and Markets Authority (CMA) that approaching 80 per cent of the £14 billion UK ad market is with these two companies. The concentration of ad revenue within these two companies suggests their importance in increasing brand awareness and direct response and since these are biddable media, competition and costs to influence audiences will be high. However, there are other ad networks and programmatic options that are available, particularly to larger advertisers.

Advertising is used on a range of sites in order to drive traffic to an organisation's **destination website**, or alternatively a **microsite** or nested ad content on the media owner's site or on the destination site. The destination page from a banner ad will usually be designed as a specifically created direct-response page to encourage further action. For example, the nappy supplier Huggies™ placed an advertisement on a childcare site that led the parents clicking on this link to more detailed information on Huggies contained on the site and encouraged them to opt in to a loyalty programme.

Display advertising is still known colloquially as banner advertising, but practitioners such as trade bodies The Interactive Advertising Bureau (**www.iab.net**) and the Internet Advertising Bureau (**www.iabuk.com**), and media owners such as publishers, advertisers and their agencies, now commonly refer to 'display advertising'. This reflects the increasing range of ad formats we will discuss below.

Purchasing ad placements

When media is purchased, it is either purchased on a specific site such as *The Times* or *The New York Times*, or more typically is purchased across several sites, which are known collectively as an ad network.

Display advertising is purchased for a specific period. It may be purchased for the ad to be served on:

- the **run-of-site** (the entire site);
- a section of site;
- according to keywords entered on a search engine.

Run-of-site
Where advertisements occur on all pages of a website. Cost-per-1,000 ad impressions (CPM) is usually higher for run-of-site advertisements.

Traditionally, the most common payment is according to the number of customers who view the page as a cost-per-thousand (CPM) ad or page impressions. Typical CPM is in the range £10–30. Other options that benefit the advertiser if they can be agreed are per click-through or per action, such as a purchase on the destination site. Although initially media owners were able to control charging rates and largely used a per-exposure model, with the increase in unused ad inventory there has also been an increase in **results-based payment** methods, particularly within ad networks.

Results-based payment
Advertisers pay according to the number of times the ad is clicked on.

Programmatic ad buying

The options for purchasing and managing display advertising are now much more complex, as suggested by the summary in Figure 9.10 of the ad buying ecosystem created by the IAB.

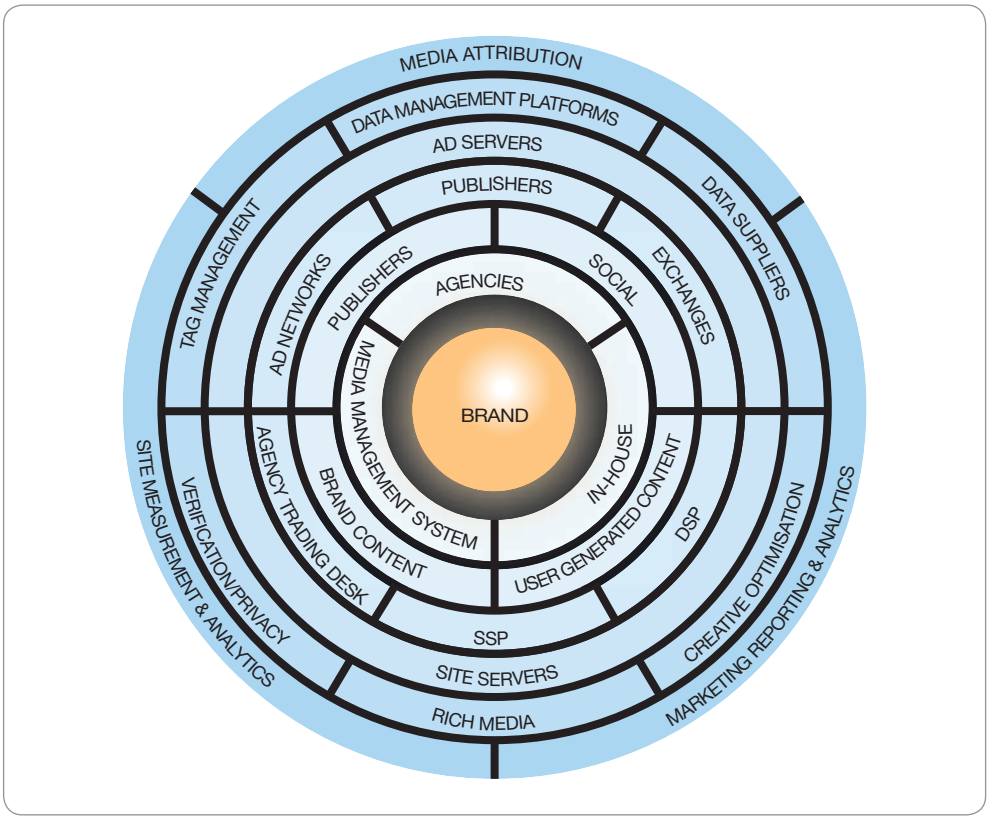
A major change in online advertising is through the use of new **programmatic ad buying** techniques, based on **demand-side platforms (DSPs)**, which use an approach called **real-time bidding (RTB)**. Progammatic ads now account for the majority of online display advertising by large companies (excluding spend on search and social network ads), see for example Joseph (2020). Traditionally, display ads have been served to target audiences based

Programmatic ad buying
Describes the purchase of online display advertising that is aggregated, booked, flighted, analysed and optimised via demand-side software interfaces and algorithms. It includes RTB and also non-RTB methods and buy types such as Facebook Ads API and the Google Display Network.

Demand-side platforms (DSPs)
A service that enables ads to be managed across multiple ad networks and ad exchanges through a single interface designed for managing reporting and performance.

Real-time bidding (RTB)
Bids for buying ads against keywords can be managed in real time in conjunction with a DSP.

Figure 9.10 Ad buying ecosystem



Source: Peterson (2013)

on the demographics of the visitors to different publishers or the content on specific sections of those sites. Impressions were purchased in units of thousands from sites that were felt to be a good fit. Programmatic enables purchase of ads served to individuals based on a wide range of information known about individuals and, in particular, content they have previously interacted with. When a page is loaded on a publisher site by an individual, different businesses have the option to bid in an auction (lasting around 0.1 of a second), whether they want to reach this individual using different ad containers or placements on the page. The purpose of this is to exploit efficiencies through using technology to automatically bid on the most cost-effective ad inventory in an auction. Since individuals are tracked across different sites, these individuals can be targeted according to their interests shown by content viewed, products purchased and profile information. This knowledge of an individual is based on cookies and digital fingerprints used to identify the individual, as discussed in Chapter 3, which act as an identifier linking this individual to information on other sites. There are privacy implications, which is one reason for the increase in use of ad blockers.

Advantages and disadvantages of display advertising

Robinson *et al*. (2007) have noted that the two primary goals of online display advertising are: first, using display adverts as a form of marketing communication used to raise brand awareness; and, second, as a direct-response medium focused on generating a response. Cartellieri *et al*. (1997) refer to a wider range of goals for online campaigns, including:

- **Delivering content.** This is the typical case where a click-through on a banner advertisement leads to a destination site giving more detailed information on an offer. This is where a direct response is sought. Today, ads often embed videos or white papers to deliver content directly within the ad.
- **Enabling transaction.** If a click-through leads to a merchant such as a travel site or an online bookstore this may lead directly to a sale. A direct response is also sought here.
- **Shaping attitudes.** An advertisement that is consistent with a company brand can help build brand awareness.
- **Soliciting response.** An advertisement may be intended to identify new leads or as a start for two-way communication. In these cases, an interactive advertisement may encourage a user to type in an email address or other information.
- **Encouraging retention.** The advertisement may be placed as a reminder about the company and its service and may link through to on-site sales promotions such as a prize draw.

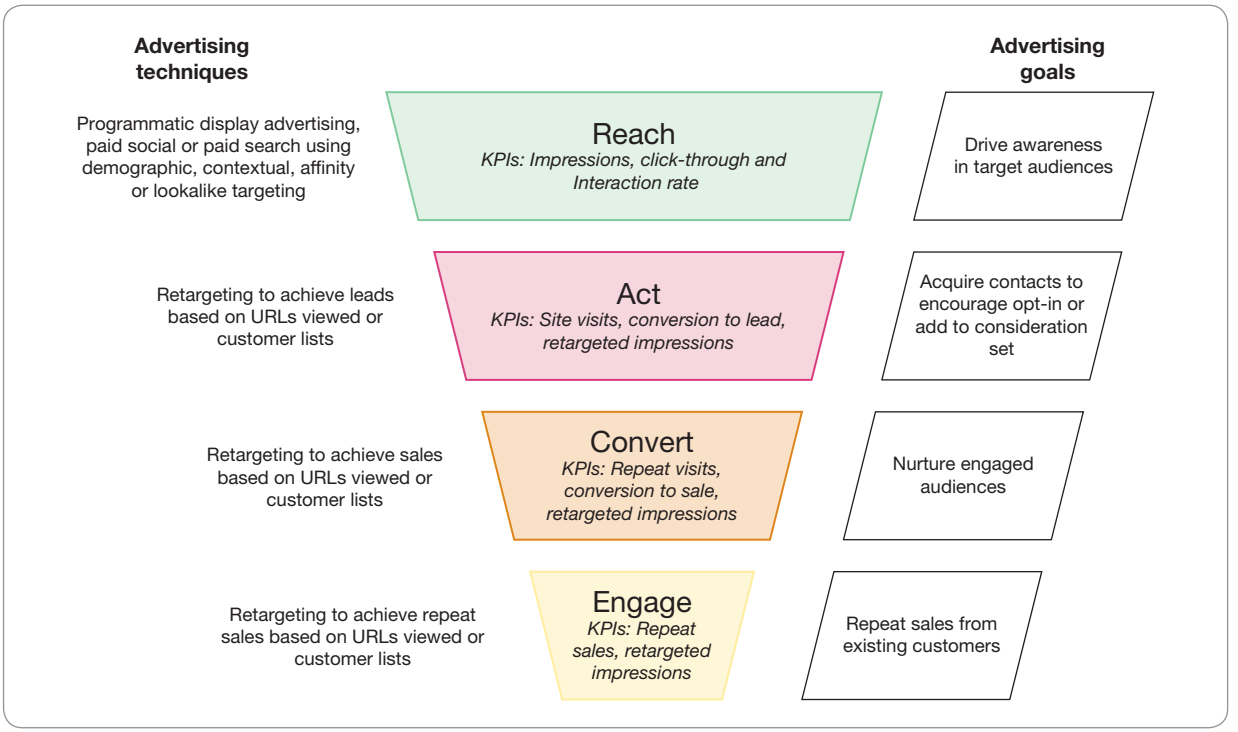
These objectives are not mutually exclusive, and more than one can be achieved with a well-designed ad campaign.

Advantages of display advertising

Digital display advertising can be used throughout the marketing funnel to meet different goals of generating awareness and demand and increasing conversion through retargeting, as summarised in Figure 9.11.

- **Reach to drive awareness.** A media mix buying programmatic display, paid social or Google Display Network paid search ads enables companies to reach and influence consumers and business people as they use publisher sites and social networks. This is measured by number of ad impressions served. The visual imagery of a display ad can generate awareness about a brand, product or need.
- **Direct response.** Display advertising can generate an immediate direct response measured as interaction with an ad or click-through to a website, enabling transaction for retail products, for example. Figure 9.11 shows that a common goal will be able to achieve conversion to a lead on a destination site, which will then be nurtured using retargeting.

Figure 9.11 Options for display advertising to achieve different goals through the customer lifecycle



- **Targeting options.** Figure 9.11 summarises the rich range of targeting techniques available in online advertising that we explored in the examples of Facebook advertising in Chapter 2. These include demographic targeting (e.g. based on age and gender); contextual targeting (based on content types viewed); affinity (e.g. interest-based behaviour suggests a person is 'in-market' or actively seeking a product); and lookalike targeting (where the ad platform uses a list of existing prospects or customers to identify similar audiences).
- **Retargeting.** As well as raising initial awareness, 'reminder' ads have an important role in reminding people who have already interacted with a brand to nudge them along the path to purchase by encouraging repeat visits, conversion to lead and sale. Retargeted ads are available through the Google Display Network, which covers many publisher sites, on ad networks (e.g. Criteo, which is used by retailers) and social networks including Facebook, LinkedIn and Twitter. Retargeting is available by targeting known audiences in a 'cookie pool' or by uploading lists of known people who have interacted with a site.
- **Advertising now available for smaller advertisers.** Previously, ad buying online was limited to larger advertisers. But now a small business can purchase a small-scale, highly targeted ad campaign for a few dollars using the Google Display Network options in Google Ads or the advertising programmes available on the social networks such as Facebook, Twitter or LinkedIn. They can now use self-service tools such as AdRoll™ (**www.adroll.com**) to retarget across all of these to boost conversion.
- **Indirect response.** We will see in the section on the disadvantages of display advertising that click-throughs are so low that it suggests display advertising is not worthwhile. However, the indirect response, where viewers of an ad later visit a website or search on the brand or category, should not be underestimated.
- **Media-multiplier or halo effect.** Repeated exposure to ads online, particularly in association with other media, can increase brand awareness and ultimately purchase intent. Furthermore, practitioners report a **media-multiplier or halo effect** of buying online ads, which can help increase the response rates from other online media. For example, if a web user has been exposed to banner ads, this may increase their response to paid search

Media-multiplier or halo effect
The role of one media channel in influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer.

ads and may also increase their likelihood of converting on a site since brand awareness and trust may be higher. Attribution modelling, which we introduced in Chapter 8, can help determine the contribution of display ads, as shown by Figure 8.12 for example.

This is suggested by research reported by MAD™ (2007) in the travel market, which involved asking respondents what their response would be to an online ad that appealed to them. Surely it would be a click? In fact, the actions respondents took were:

- search for a general term relating to the advertisement (31 per cent);
- go straight to advertiser's site (29 per cent);
- search for the advertiser's name (26 per cent);
- click on banner to respond (26 per cent);
- visit a retail store (4 per cent).

Of course, this methodology shows us reported behaviour rather than actual behaviour, but it is still significant that more than twice as many people are being driven to a search engine by banner advertising than by clicking directly on the banner! The research concludes that paid search marketing needs to be optimised to work with banner advertising, by anticipating searches that are likely to be prompted by the banner and ensuring a higher rank for search results. For example, a brand featuring a Cyprus holiday offer will generate generic search terms such as 'package holiday Cyprus' rather than brand searches.

Abraham (2008) has also shown that online ads can stimulate offline sales. For one retailer with a turnover of $15 billion, research showed that over a three-month period, sales increased (compared to a control group) by 40 per cent online and by 50 per cent offline among people exposed to an online search- and display-ad campaign promoting the entire company. Because its baseline sales volumes are greater in physical stores than on the internet, this retailer derived a great deal more revenue benefit offline than the percentages suggest.

- **Achieving brand interactions.** Many modern display ads comprise two parts – an initial visual encouraging interaction through a rollover, and then another visual or application encouraging interaction with a brand. This enables advertisers to calculate an interaction rate (IR) to assess the extent to which viewers interact with a brand ad.
- **Targeting.** Media buyers can select the right site or channel within a site to reach the audience (e.g. a specialist online car magazine or review site or the motoring channel within an online newspaper or TV channel site). Audiences can also be targeted via their profile through serving personalised ads, or ads in emails if visitors have registered on a site.
  Behavioural retargeting options are used in an ad network to preferentially serve an ad to someone who seems to have an interest in a topic from the content they consume. Effectively the ad follows the viewer around the site. For example, if someone visits the car section of a site, then the ad is served to them when they view other sections of the site. Retargeting can work across an ad network too and can even be sequential, where the messages are varied for an individual the more times they are exposed to the ad. Search retargeting offers the option to display an ad after a visitor has searched on a particular term, such as a car marque. Tracking of individuals is achieved through use of cookies.
- **Cost.** There are opportunities to buy online media at a cheaper rate compared to traditional media, although this is less true in focused, competitive markets such as financial services, where there is limited premium inventory for media buyers to purchase.
  Programmatic advertising and ad networks give advertisers the options of advertising across a network of sites to reach a particular demographic, e.g. female 18–25 with specific interests, but at a lower cost than media buys on a specific site since the actual site used for the ad placement isn't known (hence these are sometimes known as '*blind network buys*'). Lower CPMs are achievable, and in some cases CPC or CPA payment options are available. Site owners such as publishers use ad networks since it gives them a method of gaining fees from unused ad inventory that has not sold at premium rates.
- **Dynamic updates to ad campaigns.** In comparison with traditional media, where media placements have to be bought weeks or months in advance, online ads are more flexible

since it is possible to place an advertisement more rapidly and make changes during the campaign. Experienced online advertisers build in flexibility to change targeting through time. Best practice is to start wide and then narrow to a focus – allow 20 per cent of the budget for high-performing ad placements (high CTR and conversion).

In an iMediaConnection (2003) interview with ING Direct VP of Marketing, Jurie Pieterse, the capability to revise creative is highlighted:

> Another lesson we learnt is the importance of creative. It's critical to invest in developing various creative executions to test them for best performance and constantly introduce new challengers to the top performers. We've also learnt there's no single top creative unit – different creative executions and sizes perform differently from publisher to publisher.

- **Accountability.** As we will discuss later in the section, it is readily possible to measure reach, interaction and response to ads. However, it is more difficult to measure brand impact.

Disadvantages of online advertising

- **Relatively low click-through rates.** When discussing online ads, many web users will state they ignore ads and find them intrusive. Published click-through rates support this, with most compilations showing response rates of around 0.1 to 0.2 per cent, but with rich media formats such as video ads attracting higher click-through rates. This phenomenon is known among practitioners as 'banner blindness'. The first 468 × 68 pixel banner ad was placed on Hotwired™ in 1995 and the call-to-action 'Click here!' generated a click-through of 25 per cent. Since then, the click-through rate (CTR) has fallen dramatically, with many consumers suffering from banner blindness – they ignore anything on a website that looks like an ad. Remember, though, that for reasons such as awareness generation and the media-multiplier effect, digital marketers should not dismiss online advertising as ineffectual based on click-through rates alone. It should also be remembered that the use of new ad formats such as **native advertising** (which we introduced in Chapter 3) and widget marketing mean that there are other ways to get cut-through.
- **Relatively high costs or low efficiency.** When the low response rates are combined with relatively high costs of over £10 per thousand, this makes online ads an inefficient medium.
- **Brand reputation.** Brands can potentially be damaged in the consumers' minds if they are associated with some types of content such as gambling, pornography or racism. It is difficult to monitor precisely which content an ad is served next to when millions of impressions are bought across many sites; this is particularly the case when using ad networks.
- **Managing technology complexity.** Joseph (2020) gives an example of how larger advertisers may have a challenge of integrating with many technology providers to support their advertising. The article explains how the head of programmatic advertising at Diageo is seeking to consolidate the number of programmatic platforms from more than 10 with the aim of gaining better insights and cost-efficiencies from work with fewer adtech partners.

Native advertising
Online content that is integrated with publisher editorial content to promote or enhance a brand, such as a publisher article or social media update. Such content should be disclosed as advertising by law in many countries, and for this reason publishers refer to it as branded content.

Best practice in planning and managing display ad campaigns

In this section we will review how measurement, targeting and creative can be used to improve the results from display ad campaigns.

Measurement of display effectiveness

Different terms are used for measuring banner ad effectiveness. Each time an advertisement is viewed it is referred to as an advertisement or **ad impression** – also known as **page impressions** (page views). Since some people may view the advertisement more than once;

Page and ad impressions
One page impression occurs when a member of the audience views a web page. One ad impression occurs when a person views an advertisement placed on the web page.

Reach
Reach defines the number of unique individuals who view an advertisement.

Cost-per-thousand (CPM)
The cost of placing an ad viewed by 1,000 people.

Interaction rate (IR)
The proportion of ad viewers who interact with an online ad through rolling over it. Some will be involuntary depending on where the ad is placed on the screen, so it is highly dependent on placement.

Website auditors
Auditors accurately measure the usage of different sites in terms of the number of ad impressions and click-through rates.

Effective frequency
The number of exposures of ad impressions (frequency) required for an advertisement to become effective.

Click-through
A user clicks on a text or image-based call-to-action/hyperlink on a website or mobile app, which directs them to a page that contains further information.

View-through
Indicates when a user views an ad and subsequently visits a website.

Interstitial ads
Ads that appear between one page and the next.

Overlay
Typically an animated ad that moves around the page and is superimposed on the website content.

marketers are also interested in the **reach**, which is the number of unique individuals who view the advertisement. This will naturally be a smaller figure than that for ad impressions. Cost of ads is typically based on **cost-per-thousand (CPM)** ad impressions, as with other media. However, the popularity of CPC search advertising and CPA affiliate deals means that these are options too.

As with other digital media, direct response to ads is measured through click-through rate. **Interaction rate (IR)** is a form of measurement that is unique to display ads. It refers to the many ads that encourage the site visitor to interact through a prompt to 'rollover', and additional creative will be loaded that may offer a clear brand message rendered in large font, a response form such as an insurance quote or a request to obtain an SIM or a game or poll. The engagement of the ad campaign for different placements can then be assessed through the interaction rate, which will typically be ten times higher than the click-through rate if the targeting, offer and creative is right.

When payment is made according to the number of viewers of a site it is important that the number of viewers be measured accurately. To do this, independent publisher **website auditors** are required. The main auditing body in the United Kingdom is the Audit Bureau of Circulations (**www.abc.org.uk**).

There is much discussion about how many impressions of an advertisement an individual has to see for it to be effective. Novak and Hoffman (1997) note that for traditional media it is thought that fewer than three exposures will not give adequate recall. For new media, because of the greater intensity of viewing a computer screen, recall seems to be better with a smaller number of advertisements compared with old media. The technical term for adequate recall is **effective frequency**.

When a user clicks on the advertisement, he or she will normally be directed to further information, viewing of which will result in a marketing outcome. Usually the user will be directed through to a specific landing page to encourage interaction and response from the advertisement. When a user clicks on an advertisement immediately this is known as a **click-through**, but adserving systems (using cookies) also measure **view-through**, which indicates when a user views an ad and subsequently visits a website within a defined period, such as 30 days. This increases overall response, but it should be borne in mind that users may have visited the site in response to other stimuli.

Interactive ad formats

As well as the classic 468 × 60 rotating GIF banner ad, which is decreasing in popularity, media owners now provide a choice of larger, richer formats that web users are more likely to notice. Research has shown that message association and awareness building are much higher for video ads, rich-media ads and larger-format rectangles (multipurpose units, MPUs) and skyscrapers. Other online ad terms you will hear include **interstitial ads** (intermediate adverts before another page appears) and the more common **overlays** (formerly more often known as *superstitials* or *overts*) that appear above content and, of course, *pop-up windows* that are now less widely used because of their intrusion. Online advertisers face a constant battle with users who deploy pop-up blockers, or, less commonly, ad-blocking software, but despite this they will persist in using rich-media formats where they generate the largest response.

Interactive ad targeting options

We have noted that most display advertising today is programmatic, based on real-time auctions so the ad can be targeted at an individual who is the best fit for the campaign objectives. Traditional approaches for targeting online ads are through placing ads with the following criteria:

- **On a particular type of site (or part of site).** This might be a part that has a specific visitor profile or type of content. So, a car manufacturer of a car preferred by single

female drivers can place ads on a publisher site appealing to a young female audience; or a financial services provider can advertise in the money section of the site to target those interested in these products. To reach large mass-market audiences, advertisers can place an ad on a large portal home page such as MSN, which has millions of visitors each day (sometimes known as a 'road-block' if they take all ad inventory).

- **To target a registered user's profile.** A business software provider could advertise on the *FT* to target registrants' profiles such as finance directors or IT managers.
- **At a particular time of day or week.**
- **To follow users' behaviour.** **Behavioural ad targeting** is all about relevance – dynamically serving relevant content, messaging or ads that match the interests of a site visitor according to inferences about their characteristics. These inferences are made by anonymously tracking the different types of pages visited by a site user during a single visit to a site or across multiple sessions. Other aspects of the environment used by the visitor can also be determined, such as their location, browser and operating system. For example, **FT.com** (using software from AudienceScience) can identify users in eight segments: Business Education, Institutional Investor, Information Technology, Luxury and Consumer, Management, Personal Finance, Travel and Private Equity. The targeting process is shown in Figure 9.12. First, the ad-serving system detects whether the visitor is in the target audience (media optimisation), then creative optimisation occurs to serve the best ad for the viewer type.

Behavioural ad targeting
Enables an advertiser to target ads at a visitor as they move elsewhere on the web or visit other sites on an ad network, aimed at increasing the frequency or number of impressions served to an individual in the target market.

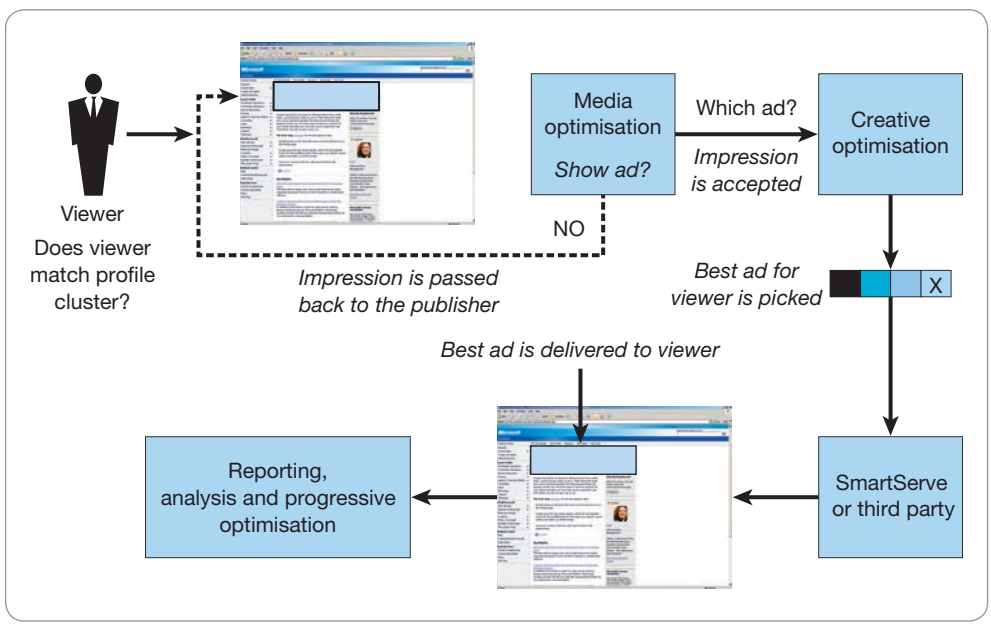
In 2010 behavioural targeting became available through Google's Ads platform as 'Remarketing', which made it available to many more advertisers.

Ad creative

As with any form of advertising, certain techniques will result in a more effective advertisement. Robinson *et al*. (2007) conducted research on the factors that increased click-through response to banner ads. The main variables they (and previous studies they reference) include are:

- banner size;
- message length;

Figure 9.12 Behavioural ad targeting process



- promotional incentive;
- animation;
- action phrase (commonly referred to as a call-to-action);
- company brand/logo.

Their research indicated that the design elements that made the most effective banner ads included a larger size, longer message, absence of promotional incentives and the presence of information about casino games. Surprisingly, the inclusion of brand name was not favourable in increasing click-through, although, as we noted, this may be because the ad generates a subsequent search on the brand. Please note that this study was restricted to online gambling ads.

Anecdotal discussions by the authors with marketers who have advertised online indicate the following are also important and worth considering:

- **Appropriate incentives are needed to achieve click-through.** Banner advertisements with offers such as prizes or reductions can achieve higher click-through rates by perhaps as much as 10 per cent.
- **Creative design needs to be tested extensively.** Alternative designs for the advertisement need to be tested on representatives of a target audience. Anecdotal evidence suggests that the click-through rate can vary greatly according to the design of the advertisement, in much the same way that recall of a television advertisement will vary in line with its concept and design.
- **Placement of advertisement and timing need to be considered carefully.** The different types of placement options available have been discussed earlier in the chapter, but it should be remembered that audience volume and composition will vary through the day and the week.

Different styles of ad creative can be viewed by visiting the ad gallery of an ad-serving company such as Google's creative showcase (**www.richmediagallery.com**).

Digital messaging including email marketing and mobile messaging

We have grouped email marketing with mobile messaging since these are both 'push media' that share much in terms of their applications for prospect and customer communications. We also explored these techniques in Chapter 6, since they are most important for relationship building and nurturing in conjunction with marketing automation. This coverage of email marketing focuses more on acquisition.

What is email marketing?

When devising plans for email marketing communications, marketers need to plan for:

- **outbound email marketing**, where email campaigns are used as a form of direct marketing to encourage trial and purchases and as part of a CRM dialogue; and
- **inbound email marketing**, where emails from customers, such as service enquiries, are managed (this was discussed in Chapters 3 and 5 and isn't discussed further in this chapter)

Outbound email marketing
Emails are sent to customers and prospects from an organisation.

Inbound email marketing
Management of emails from customers by an organisation.

The applications of outbound email marketing communications depend on the type of business. According to the DMA (2020), marketers in the United Kingdom say the primary objective for email marketing is sales (31 per cent chose this), followed by brand awareness (16 per cent), building relationships and loyalty (16 per cent), audience engagement (14 per cent), lead generation (10 per cent) and customer service (9 per cent). The same report showed that the average ROI for respondents was over £30 revenue for every £1 spent, showing the cost-effectiveness of email marketing as a technique.

Opt-in email options for customer acquisition

For acquiring new visitors and customers to a site, there are three main options for email marketing. From the point of view of the recipient, these are:

- **Cold email campaign.** In this case, the recipient receives an opt-in email from an organisation that has rented an email list from a consumer email list or trade publisher and event provider. List rental is not practical today under privacy laws since permission hasn't been sought. Instead, co-branded emails and newsletters are used.
- **Co-branded email.** Here, the recipient receives an email with an offer from a company they have an affinity with and from whom they have agreed to receive ads, for example a publisher or retailer. Digital marketing insight 9.4 gives an example of where email marketing is used to increase awareness as part of an integrated campaign combined with display advertising.
- **Third-party e-newsletter.** In this visitor acquisition option, a company publicises itself in a third-party e-newsletter. This could be in the form of an ad, sponsorship or PR (editorial) in a publisher newsletter, which links through to a destination site. These placements may be set up as part of an interactive advertising ad buy since many e-newsletters also have permanent versions on the website. Since e-newsletter recipients tend to engage with them by scanning the headlines or reading them if they have time, e-newsletter placements can be relatively cost-effective. Viral marketing, which is discussed in the next main section, also uses email as the mechanism for transferring messages.

Opt-in
An individual gives consent to receive further communications (such as a newsletter) or agrees to a privacy policy (such as enabling personalisation using cookies).

House list
A list of prospect and customer names, email addresses and profile information owned by an organisation.

Opt-in email options for prospect conversion and customer retention (house list)

Email is most widely used as a prospect conversion and customer retention tool using an **opt-in house list** of prospects and customers who have given permission to an organisation to contact them. For example, **Lastminute.com** built a house list of over 10 million prospects

Digital marketing insight 9.4 — SEAT combines email with display advertising to increase awareness

This study by email vendor eCircle (2011) analysed the advertising effectiveness of email marketing and display advertising, and looked at responses from over 1,000 consumers to SEAT's Ibiza ST campaigns. It used a classic 'hold out' approach where different respondents were reached through different combinations of media:

- contact through an email campaign;
- contact with display advertising;
- contact with both campaign channels.

The main results from the campaign, which showed the integrated benefits of the campaign, were as follows:

1. The combination of display and email advertising improved advertising recall by 13 per cent compared with just display advertising.
2. Email increased disposition to buy in 47 per cent of cases and is therefore ideal for increasing conversions.
3. Spending power as a target group was emphasised – by using email you can precisely reach your target group.
4. Email allowed the required reach of advertising to be achieved three times more quickly than display advertising.

and customers across Europe before it was acquired. Successful email marketers adopt a strategic approach to email and develop a contact or touch strategy that plans the frequency and content of email communications (as explained in Chapter 6). Some options for in-house email marketing include:

- **Conversion email.** Someone visits a website and expresses interest in a product or service by registering and providing their email address, although they do not buy. Automated follow-up emails can be sent out to persuade the recipient to trial the service or buy a product. For example, betting company William Hill™ found that automated follow-up emails converted twice as many registrants to place their first bet compared to registrants who did not receive an email. Similarly, retailers will follow-up with 'abandoned basket' emails to encourage purchase where consumers have added a product to a basket and not yet purchased.
- **Regular e-newsletter.** Options are reviewed for different frequencies such as weekly, monthly or quarterly, with different content for different audiences and segments. These are commonly used to update consumers on the latest products or promotions, or business customers on developments within a market.
- **House-list campaign.** These are periodic emails to a list of contacts to support different objectives such as encouraging trial of a service or newly launched product, repeat purchases or reactivation of customers who no longer use a service.
- **Event-triggered or behavioural emails and sequences.** The marketing automation services explained in Chapter 6 send out a series of emails, with the interval between emails and messages determined by the marketer. Examples include welcome or onboarding sequences, nurture sequences or reactivation sequences when a subscriber has become less active.

Advantages and disadvantages of email marketing

Advantages of email marketing

We saw in Chapter 6 that permission-based email is an effective tool for building relationships with customers online. Despite the increase in spam, email can still drive good response levels, particularly for house lists (retention email marketing). Opt-in email communications provide a controlled push message that encourages response.

Owing to these advantages, in many countries the volume of email marketing exceeds direct mail volumes. However, no one is suggesting direct mail will disappear immediately, since it will typically have a higher impact than email marketing and the two work best when integrated.

The main advantages of email marketing are:

- **Relatively low cost of fulfilment.** The physical costs of email are substantially less than direct mail.
- **Direct-response medium encourages immediate action.** Email marketing encourages click-through to a website where the offer can be redeemed immediately – this increases the likelihood of an immediate, impulsive response. For this reason, it is one of the best methods of attracting existing customers to return to a site (it's a push media).
- **Faster campaign deployment.** Lead times for producing creative and the whole campaign lifecycle tend to be shorter than traditional media.
- **Ease of personalisation.** It is easier and cheaper to personalise email than for physical media, and also than for a website.
- **Options for testing.** It is relatively easy and cost-effective to test different email creative and messaging.
- **Integration.** Through combining email marketing with other direct media that can be personalised, such as direct mail, mobile messaging or web personalisation, campaign response can be increased as the message is reinforced by different media.

Disadvantages of email marketing

Some of the disadvantages of email marketing that marketers need to manage as they run their campaigns, so that they are closely related to best practice, are:

- **Deliverability.** Difficulty of getting messages delivered through different internet service providers (ISPs), corporate firewalls and webmail systems.
- **Renderability.** Difficulty of displaying the creative as intended within the inbox of different email reading systems.
- **Email response decay.** Email recipients are most responsive when they first subscribe to an email but it is difficult to keep them engaged.
- **Communications preferences.** Recipients will have different preferences for email offers, content and frequency that affect engagement and response. These have to be managed through communications preferences.
- **Resource intensive.** Although email offers great opportunities for targeting, personalisation and more frequent communications, additional people and technology resources are required to deliver these.

Best practice in planning and managing email marketing

In this section we will review how measurement, targeting and creative can be used to improve the results from email marketing.

Email service providers

Email service providers (ESPs)
Provide a web-based service used by marketers to manage their email activities including hosting email subscription forms, broadcast and tracking.

Email service providers (ESPs), or marketing automation services, are a popular method companies use to manage their email marketing. ESPs provide a web-based service used by marketers to manage their email activities with less recourse to an agency. Rather than buying software that you host and manage on your server, the software is effectively used on a subscription basis, with a cost based on number of emails sent and runs on another company's server. The ESP manages three key capabilities including hosting of forms for managing email subscriptions and landing pages, the broadcast tools for dispatching the emails and a database containing the prospect or customer profiles.

Measuring email marketing

The key measures for email marketing are:

- **Delivery rate** (here indicated by 'non-bounce rate'). Emails will bounce if the email address is no longer valid or a spam filter blocks the email.
- **Open rate.** This is measured for HTML messages through downloaded images. It is an indication of how many customers open an email, but is not accurate since some users have preview panes in their email readers that load the message even if it is deleted without reading, and some email readers such as Outlook now block images by default (this has resulted in a decline in open rates through time). The open rate for particular types of email address, e.g. Outlook, is also an indication of deliverability problems.
- **Click-through or click rate.** This is the number of people who click through on the email of those delivered (strictly unique clicks rather than total clicks). You can see that response rates are quite high at around 10 per cent.
- **List engagement.** In Chapter 6 we saw that open reach and click reach are measures used to understand what proportion of subscribers are active over a longer time period than a single broadcast.

Additionally, and most important, are the marketing outcomes or value events (Chapter 8), such as sales and leads achieved when an email recipient clicks through to the website. Retailers will also have additional methods of comparing email campaigns such as revenue/profit per email or thousand emails and average order value (AOV).

Email marketing success factors

Effective email marketing shares much in common with effective direct email copy. Chaffey (2006) uses the mnemonic CRITICAL for a checklist of questions that can be used to improve the response of email campaigns. It stands for:

- **Creative.** This assesses the design of the email including its layout, use of colour and image, and the copy (see below).
- **Relevance.** Does the offer and creative of the email meet the needs of the recipients? This is dependent on the list quality and targeting variables used.
- **Incentive (or offer).** The WIFM ('What's in it for me?') factor for the recipient. What benefit does the recipient gain from clicking on the hyperlink(s) in the email? For example, a prize draw is a common offer for B2C brands.
- **Targeting and timing.** Targeting is related to the relevance. Is a single message sent to all prospects or customers on the list or are emails with tailored creative, incentive and copy sent to the different segments on the list? Timing refers to when the email is received: the time of day, day of the week, point in the month and even the year; does it relate to any particular events? There is also the relative timing – when it is received compared to other marketing communications – this depends on the integration.
- **Integration.** Are the email campaigns part of your integrated marketing communications? Questions to ask include: are the creative and copy consistent with my brand? Does the message reinforce other communications? Does the timing of the email campaign fit with offline communications?
- **Conversation.** This is to remind us that email shouldn't just be considered as a broadcast medium and opportunities should be taken to encourage response, for example through social media.
- **Attributes (of the email).** Assess the message characteristics such as the subject line, from address, to address, date/time of receipt and format (HTML or text). Send out multipart/MIME messages that can display HTML or text according to the capability of the email reader. Offer choice of HTML or text to match users' preferences.
- **Landing page (or microsite).** These are terms given to the page(s) reached after the recipient clicks on a link in the email. Typically, on click-through the recipient will be presented with an online form to profile or learn more about them. Designing the page so the form is easy to complete can affect the overall success of the campaign.

A relevant incentive, such as free information or a discount, is offered in exchange for a prospect providing their email address by filling in an online form. Careful management of email lists is required since, as the list ages, the addresses of customers and their profiles will change, resulting in many bounced messages and lower response rates. Data protection laws also require the facility for customers to update their details.

Practical issues in managing email marketing

Deliverability
Refers to ensuring email messages are delivered and aren't blocked by spam filters because the email content or structure falsely identifies a permission-based email as a spammer, or because the sender's IP address has a poor reputation for spam.

Renderability
The capability of an email to display correctly formatted in different email readers on desktop and mobile devices.

Two of the main practical challenges for email marketers or their agencies to manage are **deliverability** and **renderability**.

Email marketers have to ensure their emails are delivered into the main inbox, given the increase in efforts by ISPs and web-email companies to reduce spam into their end users' inboxes. Email marketers do not want to be identified as a 'false positive', where permission-based emails may be bounced or placed into junk-mail boxes or simply deleted if the receiving system assesses that they are spam.

Web-based email providers such as Gmail, Microsoft and Yahoo Mail have introduced standard authentication techniques known as Sender ID and Domain Keys, which email marketers should use to make sure the email broadcaster is who they say they are and doesn't spoof their address as many spammers do. Email providers also assess the reputation of the email broadcasters using services such as Sender Score™ (**www.senderscore.org**), based on the number of complaints and quality of emails sent.

It is now less important that email marketers do not use keywords in their emails that may identify them as spam. For example, email filters such as SpamAssassin™ (**www.spamassassin.org**), which was more widely installed by businesses who maintain their own email servers, has these types of rules that are used to assess spam:

- SUB_FREE_OFFER — Subject starts with 'Free'
- SUBJECT_DRUG_GAP_VIA — Subject contains a gappy version of 'viagra'
- TO_ADDRESS_EQ_REAL — To: repeats address as real name
- HTML_IMAGE_RATIO_04 — BODY: HTML has a low ratio of text to image area
- HTML_FONT_BIG — BODY: HTML tag for a big font size

Although the word 'free' in a subject could be a problem, this is only one part of the signature of a spam, so it may still be possible to use this word if the reputation of the sender is good.

Renderability refers to how the email appears in different email readers. Often images are blocked by readers in an effort to defeat spammers who use the fact that images are downloaded as the user views the email to detect that the email is a valid address. So emails that are made up only of images with no text are less likely to be effective than hybrid messages combining text and images. Formatting can also differ in different readers, so designers of emails have to test how emails render in common email readers such as Outlook and Yahoo Mail.

A further challenge is trying to achieve ongoing engagement with list members. Some approaches that are commonly used include:

- Developing a welcome programme where, over the first three to six months targeted, automatically triggered emails educate subscribers about your brand, and products and deliver targeted offers.
- Using offers to reactivate list members as they become less responsive.
- Segmenting list members by activity (responsiveness) and age on list and treating them differently, either by reducing frequency or using more offline media.
- Follow-up on bounces using other media to reduce problems of dropping deliverability.
- Best practice when renting lists is to request only emails where the opt-in is within the most recent six to nine months when subscribers are most active.

List management

Email marketers need to work hard to improve the quality of their list (as explained in Chapter 6). Respondents believe that the data and its selection accounted for over half of a campaign's success. The creative and offer are still considered significant, while timing is viewed as having the least impact, accounting for just 10 per cent of the success of an email campaign. The report noted that the majority of respondents gather new email addresses through organic website traffic, with offline (paper-based) activity accounting for 40 per cent and telemarketing for 31 per cent.

Mobile text messaging and mobile push notifications

We have concentrated our coverage on email marketing in this section since the amount of marketing investment and levels of activity in email marketing is far higher than in mobile text messaging, because it seems that receiving permission-based emails is more acceptable than receiving what may be perceived as an intrusive text message on a mobile device. Additionally, it enables more complex, visual messages to be delivered. However, where a mobile app is the primary platform for interacting with consumers, mobile push notifications can be more engaging than emails, particularly for audiences whose smartphone is their primary device. Airship (2021) publishes benchmarks of engagement rates with mobile app push notifications. The median opt-in to push notifications is surprisingly high at 81 per cent

for Android and 51 per cent for iOS. The figure is lower in iOS since phone users have to proactively opt-in. Open rates are also provided by sector, with a median open rate of 4.6 per cent on Android or 3.4 per cent on iOS. The average number of push notifications an app sends to its users per month is around eight.

Social media and viral marketing

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

Social media amplification A method of increasing awareness of a brand through organic and paid sharing of social media updates via social networks as organic social posts and adverts displayed in the stream of social network users.

Social media marketing is an important category of digital marketing that, as explained in the social media section at the end of Chapter 6, involves encouraging customer communications on a company's own site, or social presences such as Facebook, Instagram or LinkedIn, or in specialist publisher sites, blogs and forums. Generating awareness through organic and paid social media marketing is based on how businesses can use consumer-to-consumer (C2C) interactions to increase awareness of their brand through **social media amplification** while minimising negative mentions.

Organic social media marketing can be applied as a traditional broadcast medium – for example, companies can use Facebook or Twitter to send messages to customers or partners who have followed them. However, to take advantage of the benefits of social media it is important to start to participate in customer conversations. These can be related to products, promotions or customer service and are aimed at learning more about customers and providing support, thus improving the way a brand is perceived.

In this chapter we review the potential for developing viral campaigns, as introduced through the examples in Activity 9.2. (Chapter 6 focused on developing a social media communications strategy.)

Activity 9.2 The essential ingredients of a viral social media campaign

Organic social media marketing It's common practice to distinguish between organic and paid social media marketing activities in a similar way to organic and paid search marketing. Organic social involves using social networks and customer communities to develop relationships, share positive opinions through social media amplification and manage negative social media comments.

With Facebook and Instagram approaching 3 billion users worldwide according to their quarterly reports (Facebook, n.d.) and TikTok growing rapidly, there is good potential for viral marketing for different types of organisations. This activity considers three examples from Facebook for very different organisation types.

Questions

1. Which success factors do the three campaigns below share in common?
2. Discuss current campaigns that share similar success factors or use others.
3. What are the risks to different organisations like these that should be considered when planning and executing these types of campaigns?

The charity – MQ: It's time to give a xxxx about mental illness campaign

This campaign from MQ Transforming Mental Health Through Research (Figure 9.13) focused on mental illness in young people and the wider population.

It had a high-impact creative based on different 'It's time to change the facts' messages, which encouraged sharing by showing how this is a neglected illness, with 23 per cent of the population affected but less than 6 per cent of health research spent here, or how four-in-ten people feel that mental illness is 'an inevitable part of life'. The simple visuals and messages worked well, but this campaign was integrated with powerful videos and commentary from indie bands.

The brand – KFC Clean Eating Burger

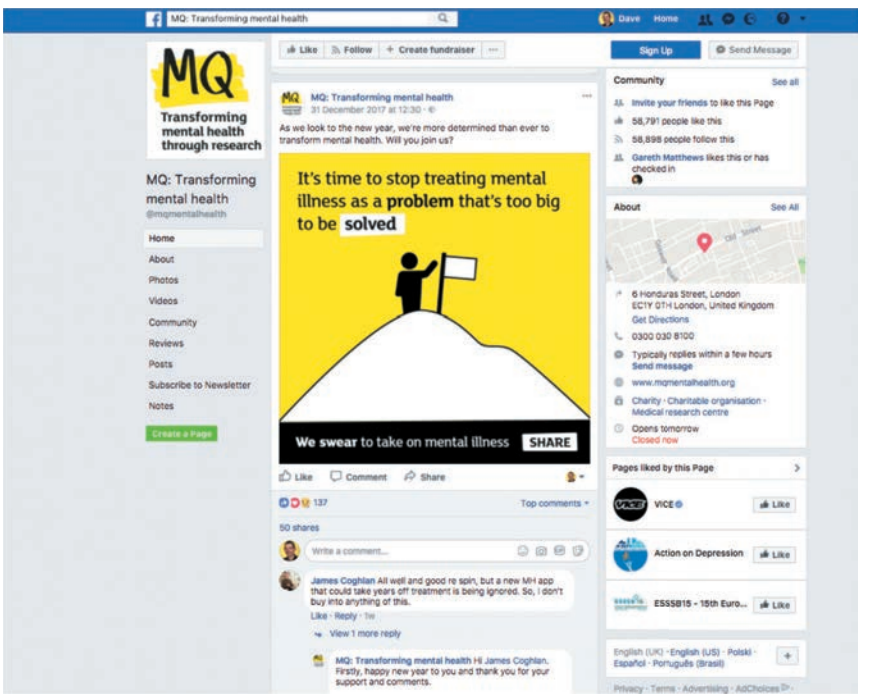
The impact of this video campaign, created primarily for Facebook, was significant. It's a spoof that sends up health-food vloggers, featuring Figgy Poppleton-Rice – a

fictional food vlogger who 'would literally marry kale'. She's explaining a video recipe for the 'Clean Eating Burger': a combination of raw cauliflower, pulsed ice, kale and boiled chicken, which is crushed by the not-so-healthy Dirty Louisiana burger that KFC launched in the United Kingdom. Over 16 million views shows the power of viral videos that poke fun. Branded virals don't always link so well to a product, but this pulls it off.

The retailer – AO.com Bloodthirsty Gin Punch campaign

AO.com is a UK-based online retailer that sells white goods and other home electrical equipment. AO gets a lot of engagement through simple ploys such as asking the audience to get involved, whether it's counting rubber ducks in a dishwasher, how many beers are in a fridge-freezer or how many clothes fit into a washing machine. The Bloodthirsty Gin Punch campaign piggybacked on Halloween and integrated nicely with its AO.Life blog. It's been widely shared since it's just a bit edgy – the video features an eyeball-bearing punch and spooky sounds, so not for the squeamish.

Figure 9.13 MQ charity Facebook page



Source: MQ: Transforming Mental Health

Viral marketing

Viral marketing
Online viral marketing, or buzz marketing, is a form of electronic word-of-mouth marketing. Brands and promotions are discussed and awareness of them transmitted in two main forms, either as pass-along email or discussion in a social network.

Social media marketing is closely related to **viral marketing** since social media naturally involves 'social media amplification', where content is shared. Viral marketing is a specific approach that involves harnessing the network effect of the internet and can be effective in reaching a large number of people rapidly, as a marketing message is quickly transmitted to many people in the same way as a natural virus or a computer virus. It is effectively an online form of word-of-mouth communications, which is sometimes also known as 'buzz marketing'. When planning integrated campaigns, it is important to note that the online viral affect can be amplified through offline media mentions or advertising, either on TV and radio or in print. See Mini case study 9.1 for a discussion of viral marketing techniques.

Mini case study 9.1 Research reveals which emotions make content 'go viral'

The 'holy grail' for many marketers today is 'viral content'. Marketers talk about wanting a 'goes viral!'. Academic research into types of emotion has yielded evidence into the types of emotions that content must leverage to create a successful viral campaign. For example, two University of Pennsylvania marketing professors, Jonah Berger and Katherine L. Milkman, published an article 'What makes content viral?' (2012), describing how they had used a web crawler to analyse three months of articles written on *The New York Times* news website. Examining results from nearly 7,000 articles, they found that *emotional arousal* was the single biggest factor in determining whether a campaign 'went viral'. Articles that inspired, or caused anger or awe-inspiring emotions, were all far more likely to end up on the 'most emailed list' on the site. Although negative articles actually evoked slightly more email responses than positive ones, both emotional groupings were dependent on the intensity of arousal resulting from the expressed emotions. In other words, those articles that were either *really positive* or *really negative* were more likely to evoke email responses than those that were *less* positive or *less* negative – i.e. by extension, less emotive and therefore more aligned to the neutral middle line.

Similar findings resulted from a 2013 study led by Associate Professor of Emerging Media and Communication, Rosanna E. Guadagno (Guadagno *et al.*, 2013), which looked at the factors that caused YouTube videos to go viral. This research team also concluded that a video was far more likely to be shared in cases where it aroused emotions – either positive or negative – in participants. This study also found that videos that resulted in high levels of human emotion had a tendency to be shared. Whether participants viewed them positively or negatively mattered little in this regard; what mattered was that they had an overwhelming emotional attachment to the content, one way or the other.

Writing in the *Harvard Business Review,* Kelsey Libert and Kristin Tynski of Fractl (2013) explored the emotions that make marketing campaigns go viral. To understand the best emotional drivers to use in the content, they reviewed 30 of the top 100 images of the year from **imgur.com**, as voted on social sharing site **Reddit.com**. They then surveyed 60 viewers to find out which emotions each image activated for them, classified using Robert Plutchik's comprehensive Wheel of Emotion. They found that certain specific emotions were common in highly viral content, while others were less common. Emotions that fit into the surprise and anticipation segments of Plutchik's wheel were overwhelmingly represented.

Word-of-mouth (WOM) marketing
According to the Word-of-Mouth Marketing Association (WOMMA) it is giving people a reason to talk about your products and services, and making it easier for that conversation to take place. It is the art and science of building active, mutually beneficial consumer-to-consumer and consumer-to-marketer communications.

Word-of-mouth (WOM) marketing is an established concept closely related to viral marketing, but broader in context. The Word-of-Mouth Marketing Association explains how WOM can be harnessed:

> Word-of-mouth can be encouraged and facilitated. Companies can work hard to make people happier, they can listen to consumers, they can make it easier for them to tell their friends, and they can make certain that influential individuals know about the good qualities of a product or service.

They go on to explain that all word-of-mouth marketing techniques are based on the concepts of customer satisfaction, two-way dialogue and transparent communications. The basic elements are:

- educating people about your products and services;
- identifying people most likely to share their opinions;
- providing tools that make it easier to share information;
- studying how, where and when opinions are being shared;
- listening and responding to supporters, detractors and neutrals.

WOMMA identifies different approaches for facilitating WOM. The ones that are most relevant to online marketing are:

- **Buzz marketing.** Using high-profile entertainment or news to get people to talk about your brand.

- **Viral marketing.** Creating entertaining or informative messages that are designed to be passed along in an exponential fashion, often electronically or by email.
- **Community marketing.** Forming or supporting niche communities that are likely to share interests about the brand (such as user groups, fan clubs and discussion forums); providing tools, content and information to support those communities.
- **Influencer marketing.** Identifying key communities and opinion leaders who are likely to talk about products and have the ability to influence the opinions of others.
- **Conversation creation.** Using interesting or fun advertising, emails, catchphrases, entertainment or promotions designed to start word-of-mouth activity.
- **Brand blogging.** Creating blogs and participating in comments, in the spirit of open, transparent communications.
- **Referral programmes.** Creating tools that enable satisfied customers to refer their friends.

Positive WOM is believed to increase purchase intent. For example, Marsden *et al*. (2005) found that brands such as HSBC, Honda and O_2 with a greater proportion of advocates measured through Net Promoter Score (NPS) (see Chapter 6) tended to be more successful. They recommend eight ways to encourage word of mouth, most of which can be facilitated online:

- **Implement and optimise referral programmes.** Reward customers for referring new customers, and reward the referee as well as the referrer.
- **Set up brand ambassador schemes.** Recruit brand fans as ambassadors, who receive exclusive merchandise/offers to share with their contacts.
- **Use tryvertising.** A combination of 'try' or 'trial' and 'advertising', this is a twist on product sampling. The idea is that rather than provide free samples or trials to anyone in a target market, tryvertising involves sampling on a selective and exclusive basis to lead users – ideally with new products or services before they become widely available.
- **Use causal marketing.** Associate your brand with a good cause that builds on brand values (e.g. Nike and anti-racism in sport).
- **Measure your Net Promoter Score (NPS).** Track your NPS at all brand touchpoints to find out what you are doing right, and what needs to be improved.
- **Start an influencer outreach programme.** Reach out to the 10 per cent who tell the other 90 per cent what to try and buy with special offers and programmes.
- **Harness the power of empowered involvement.** Create advocacy – let your lead clients, customers or consumers call the shots on your innovation and marketing with VIP votes and polls.
- **Focus innovation on doing something worth talking about.** Do something new that delivers an experience that exceeds expectations.

In an online context, word-of-mouth marketing is important since there is great potential for facilitating electronic word of mouth. It is very important for online marketers to understand how WOM can be generated and influenced since research, such as that conducted by Forrester (2007), shows that recommendations from friends, family or even other online consumers are trusted and are a major consideration in product and supplier selection.

Social network-related viral marketing

Allsop *et al*. (2007) note the importance of social networks in influencing perceptions about brands, products and suppliers. Their research shows large differences in gender and age for the types of products discussed, but recommendations on restaurants, computers, movies and vehicles are popular in all categories.

Advantages and disadvantages of social media and viral marketing

The advantages and disadvantages of viral marketing are shared with those of online PR, as covered earlier in the chapter. However, it can be argued that the risk in investment in viral marketing is higher since it is difficult to predict the success of a particular viral agent.

Advantages of social media and viral marketing

The main advantage of social media and viral marketing is that an effective viral agent can reach a large audience in a cost-effective way. We have also seen how consumers rate the opinions of their peers, friends and family highly, so they can be highly influential. Kumar *et al*. (2007) have discussed the potential value that can be generated through customer referrals in several case studies. Within social networks, major influencers can help spread the message more widely.

Since so many consumers and business people use social media, they are an effective reach channel that is also effective for advertising. Facebook-sponsored ads are now a major ad investment channel since they can provide different formats such as video and can also be used for retargeting following website visits.

Within Facebook, retargeting is achieved through defining a Custom Audience. You can retarget existing contacts (by uploading a file of prospects or customers) and website traffic (where you install the 'Facebook' pixel onto sections of your site, e.g. product pages where you want visitors to follow up). You can also retarget if you have app users, or follow up on people who have interacted with you in Facebook. New prospects can be found through interest-based targeting and 'Lookalike' audiences, where Facebook ads are displayed to people who possess similarities to existing prospects and customers.

The advantages of viral marketing on the TikTok platform seeded by advertising are shown in Mini case study 9.2.

Mini case study 9.2 TikTok gets creative with its video ad offerings

With its characteristic short-video format TikTok has had to innovate in its advertising and its core platform to engage users and monetise its use through advertising. Initially, TikToks were just 15 seconds long, but the app later enabled four segments to be joined to give a minute, with options for longer videos and shorter ads. These are some of the options developed for brands:

In-Feed video ads

For self-service advertisers TikTok offers In-Feed ads, which are short-form videos that appear in users' news feed on the 'For You' page that look similar to native TikToks, so they blend organically into the feed.

Branded Hashtag Challenge

For larger budgets TikTok offers a branded Hashtag Challenge, where brands prompt people to perform a certain task and tag them using a specific hashtag.

Brand Takeover

These are full-screen, three-to-five-second video ads that show up in the 'For You' as soon as the app opens. Ads can include a clickable hashtag or website link as well.

TopView ads

These are similar to brand takeovers. TopView ads display on the full screen, but ads can be 60 seconds long, and they are on a delayed play, so they don't start with app startup.

Branded Effects

Branded Effects are custom stickers, AR filters and lenses that users can add to their own videos. Gamified Branded Effects enable consumers to use facial expressions, body postures or other motions, to control and interact with branded elements. They're similar to Instagram's AR Filters. Each new Branded Effect is available for 10 days.

Here are some outlines of campaigns that have deployed the interactive advertising techniques available on TikTok:

Clean & Clear India face wash campaign

The aim was to drive brand awareness and ad recall among teens, prompted by new limited-edition bottles in India.

The Hashtag Challenge (#UnbottleApnaSwag) featured five bottle packaging styles corresponding to five personality types: Fun, Carefree (Bindaas), Studious (Padhaku), Talkative (Bakbak), and Foodie. Girls were invited to identify with a personality type and showcase unique content online.

To personalise the five personalities on 'My Swag' bottles, Clean & Clear released five rap songs and enlisted five top female influencers (each with 1+ million followers) to spearhead the challenge and inspire users to get started. Users could then choose a song and share their own content.

With nearly 2 billion video views, 172 million likes/comments/shares and 2.62 million user-generated videos from the Hashtag Challenge, and Clean & Clear's official account following increasing by more than 10,000, this was one of the most successful branded Hashtag Challenges in India.

Guess Denim Fit Collection

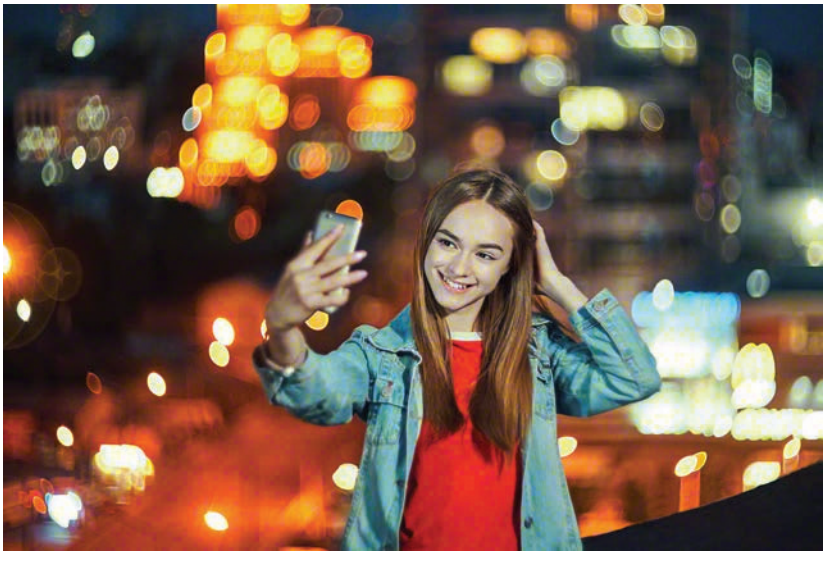
Guess wanted to promote a fall edition of its Denim Fit Collection to drive awareness during the back-to-school shopping season for millennials and Gen Z consumers.

Guess launched the #InMyDenim Hashtag Challenge on TikTok and called for consumers to show their fashion style in denim. To make it fun and memorable, Guess leveraged the idea of 'transforming your looks' with the slogan 'Transform your outfit from a mess to best-dressed! All you need is denim!'.

Guess posted several official videos accompanied by Bebe Rexha's 'I'm a Mess', an appropriate song that fitted the TikTok style.

On the first day, Guess launched a Brand Takeover on the splash screen to increase awareness of the challenge campaign. Concurrently, Guess released four influencer-performed videos to demo the idea. Letting content creators do their work, the dramatic yet easy-to-imitate video stories instantly garnered enormous attention and inspired 1,629 user-generated videos.

During the six-day 2018 campaign period, #InMyDenim realised over 5,550 user-generated videos, 10.5 million video views, 14.3 per cent engagement rate and over 12,000 additional followers for Guess's business account on TikTok.



Source: paffy/Shutterstock

Virgin Media 'Stay in love, stay connected'

Virgin Media's campaign features different snapshots of dating on a video call, set to a soundtrack including cat selfies and virtual musical duets, and people falling asleep, to the upbeat soundtrack of Carly Rae Jepsen's 'I Really Like You'.

According to *Campaign* (Oakes, 2020) the ads were effective on TopView, the first video that every person sees when they open the TikTok app and, when it first ran, it garnered 21.9 million impressions in a single day, with an 'engagement rate' of 16 per cent, which includes likes, shares and comments on the ad.

TikTok '#MyRoots/Black History, Black Present and Black Future'

This was a month-long, grass-roots campaign from TikTok to educate people on black history in the United Kingdom, using TikTok. Content featured black creators and artists. There was also a Hashtag Challenge, which resulted in nearly 288 million views and a series of 'TikTok Live' educational events.

ASOS '#AySauceChallenge'

The first ASOS brand campaign on TikTok used the Branded Hashtag Challenge Plus. With a bespoke track and an augmented-reality Branded Effect, ASOS sought to make it easy for fans to share content showing off their slickest new looks.

More than 25 content creators collaborated on the work across the United Kingdom and United States, helping to drive more than 1.2 billion video views in six days, and another 488,000 videos created by users for the campaign.

Sources: TikTok (2021) and Oakes (2020)

Disadvantages of social media and viral marketing

The main disadvantage of viral marketing is that this is a high-risk marketing communications technique, since it requires significant initial investment in the viral agent and seeding. However, there is no guarantee that the campaign will 'go viral', in which case the investment will be wasted.

With marketing within social networks it is challenging to engage audiences when they are socialising with their contacts and may not wish to interact with brands. It is also difficult to find the right types of content that will engage audiences and that they will share with their contacts. Seeding to key influencers can help with distributing content, but seeding is a time-consuming specialist activity.

Of course, although positive viral marketing can spread rapidly, so can negative sentiments about a company, which we referred to in the section on online PR.

As with Google Ads advertising, Facebook advertising operates on a cost-per-click-based auction, so it can be expensive to reach sought-after audiences.

Now social media is established and we have experienced a lot of 'hype' about its benefits for marketing we would expect to see its impact evaluated and it criticised. This has indeed happened, with some strong viewpoints on both sides as described in Digital marketing insight 9.5. What do you readers think of social media?

Best practice in planning and managing viral marketing

To make a viral campaign effective, viral marketing specialist Justin Kirby suggested these three things are needed (Kirby, 2003):

- **Creative material – the 'viral agent'.** This includes the creative message or offer and how it is spread (text, image, video).

Digital marketing insight 9.5 Is social media 'mostly a waste of time' and an 'infantile delusion'?

Here are three examples of social media being criticised in what you could say is a 'backlash'.

First, take a look at Mark Ritson, Associate Professor of Marketing and Branding and columnist on *Marketing Week,* speaking in this video: **www.youtube.com/watch?v=S2NUayn2vP0**. He acknowledges that 'social media is an amazing tool' but states that it is 'mostly a waste of time' and suggests that marketers' focus is wrong:

> Marketers are putting too much emphasis on social media due to the hype in the media, and are forgetting how powerful traditional advertising and marketing can be.

Naturally, some marketers and PR professionals, such as Nicola Swankie (2014), disagreed. She responded in a long post, reminding him that:

> the new power that people have is vital to consider for any marketer, because it's shifted marketing forever – it's given us the control to personalize and choose the media we see and it's given us a voice.

She says that great marketing should engage, it shouldn't be something people want to ignore:

> Social is the most honest of any media and so it's where lazy, unengaging marketing is most in evidence. That is not a reason to ignore Social, it should be a challenge to us all to think about how to make our marketing more compelling and relevant.

Well said?

Of course, these are only opinions from people. For definitive proof of the impact of social media in a business or across a sector we have to turn to analytics.

Benchmarking data from SimilarWeb, reported in Chaffey (2015), presents traffic sources for different sectors and this shows that in the retail sector for the United Kingdom and United States, social is indeed insignificant (less than 5 per cent of site visits, as also shown by Figure 9.1) compared with other channels, although some 'dark social' social media traffic may be masked in direct traffic. A last-click approach to reviewing the impact of social media in sales can be misleading, since often social media updates may generate initial awareness, but conversion occurs in a subsequent visit following a search or direct visit.

- **Seeding.** Identifying websites, blogs or people to send email to, to start the virus spreading. Seeding can also be completed by email to members of a house list or renting a list with the likely audience.
- **Tracking.** To monitor the effect and to assess the return from the cost of developing the viral agent and seeding.

Today, these factors are still relevant within online PR campaigns, although we talk about 'shareable social objects' rather than 'viral agents', and 'influencer outreach' rather than 'seeding'.

Offline promotion techniques

The importance of offline communications in driving visitors to a website is well known by site owners, who find that greater levels of investment in offline advertising using TV, print or radio results in a greater number of direct visitors to websites. Multiscreening enhances this effect, since simultaneous use of devices such as TV, smartphone and tablet

is so common. If someone sees an ad on TV, they can easily search via their mobile device for a brand or the category. The influence of TV can be tracked by web analytics, which shows an increase in searches containing the brand or campaign name or the web address, or direct visitors who enter the site URL into the address bar. Freid (2017) notes that he has seen mature brands receive a 20–30 per cent uplift in search visits when a TV campaign starts. He also explains the impact of TV on social media:

> Not every TV ad is meant for social media, but in some cases, TV creative can be inspirational, funny or bring out other emotions that resonate with your target audience. In these cases, it may make sense for your social profiles to share your TV creative or even promote it through advertising.

Research has identified that there is a clear correlation between investment in offline advertising and visits to a website. For example, Hitwise (Hopkins, 2006) found in a study of brands including Sky, Orange and the AA that searches on brand terms and URLs increased when offline media investment was combined with online.

Offline promotion Using traditional media such as TV, PR, radio and print to achieve communications goals including directing visitors to an online presence.

Offline promotion refers to using communications tools such as advertising and PR delivered by traditional media such as TV, radio and print in order to direct visitors to an online presence.

Despite the range of opportunities for using new online communications tools, traditional communications using offline media such as TV, print and direct mail remain a significant form of investment in marketing communications for most businesses.

When the web analytics data about referring visitors are assessed, for most companies that are not online-only businesses we find that over half the visitors are typically marked as 'No referrer'. This means that they visited the site direct by typing the web address into the address bar in response to awareness of the brand generated through real-world communications (others may have bookmarked the site or clicked through from a search engine following a brand or navigational search since they are aware of the brand).

Advantages and disadvantages of using offline communications to support e-commerce

Offline communications work; they are effective in achieving four critical things:

- **Reach:** since newspaper, TV and postal communications are used by virtually all consumers.
- **Brand awareness:** through using high-impact visuals.
- **Emotional connection:** with brand, again through visuals and sounds.
- **Explanation:** of the online value proposition for a brand.

A further benefit is that for any given objective, integrated marketing communications received through different media are more effective in achieving that objective. Having said this, the disadvantages of using offline communications to encourage online channel usage compared to many online communications tools are obvious. In general, the disadvantages of offline communications are:

- **Higher cost.** Return on investment tends to be higher for online communications such as search engine optimisation, pay-per-click marketing or affiliate marketing.
- **Higher wastage.** The well-known expression, 'half my advertising is wasted, but I don't know which half', may be true about offline marketing, but it isn't true online if the right tracking processes are in place.
- **Poorer targeting.** Targeting by behaviour, location, time, search keyword, site and site content is readily possible online. This tends to be more targeted compared to most offline media (apart from direct marketing).
- **Poorer accountability.** It is straightforward to track response online – offline it is expensive and error-prone.

- **Less detailed information.** The detailed information to support a decision can only be delivered cost-effectively online.
- **Less personalised.** Although direct mail can be personalised, personalisation is more straightforward online.
- **Less interactive experience.** Most offline communications are one-way traffic, whereas interaction is possible online with the right creative.

Incidental and specific advertising of the online presence

Incidental offline advertising
Driving traffic to the website is not a primary objective of the advert.

Specific offline advertising
Driving traffic to the website or explaining the online proposition is a primary objective of the advert.

Two types of offline advertising can be identified: incidental and specific. Reference to the website is **incidental offline advertising** if the main aim of the advert is to advertise a particular product or promotion and the website is available as an ancillary source of information if required by the viewer. Traditionally, much promotion of the website in the offline media by traditional companies has been incidental – simply consisting of highlighting the existence of the website by including the URL at the bottom of an advertisement. Reference to the website is **specific offline advertising** if it is an objective of the advert to explain the proposition of the website in order to drive traffic to the site to achieve direct response. Here the advert will highlight the offers or services available at the website, such as sales promotions or online customer service. Many state 'Visit our website!', but clearly a more specific strapline can be developed that describes the overall proposition of the site ('detailed information and product guides to help you select the best product for you') or is specific to the campaign ('we will give you an instant quote online, showing how much you save with us').

Offline response mechanisms

The different response mechanics such as web response and URL strategy that we discussed in Chapter 8 in the section on campaign response mechanisms have to be used to maximise response, since this helps to direct potential customers to the most appropriate content on the website. Different URLs are also useful for measuring the response of offline media campaigns since we can measure the number of visitors arriving directly at the URL by entering the domain name.

Case study 9 shows how earned and owned media can be applied to grow a business using inbound marketing with limited tactical use of paid media. It presents data from Google Analytics to suggest how communications effectiveness can be reviewed, a topic that is explored further in the next chapter.

Case study 9 — Smart Insights: how content strategy fuels inbound marketing to grow an online B2B service

Smart Insights is an online marketing training platform based in Leeds, United Kingdom. It launched in 2010 with the aim of supporting marketers to make better use of digital marketing using a planned approach to data-driven marketing techniques. To help engage its target audience of marketing practitioners and to position its advice, Smart Insights ran a launch campaign around its manifesto for future success in marketing, including these five calls to action:

- Digital marketing is marketing.
- You need a strategy.
- Measurement and optimisation are your foundation.
- Joined-up, customer-centred marketing is essential.
- Be agile.

The market opportunity arose since, while there were many blogs discussing individual digital media tactics such as search, social or email marketing, there were few publishers or training solutions offering practical guidance on strategy and planning to integrate these tactics as part of all marketing communications using a data-driven approach. Research suggested that deciding the best way to integrate communications, along

with proving and optimising return on media investment, was a key challenge for marketers and many businesses didn't have a dedicated plan to achieve this.

Value proposition, business and revenue model

Smart Insights is an online training platform to help marketers develop practical skills to improve results from their marketing with a focus on digital transformation and data-driven marketing. Interactive e-learning is offered through learning paths integrated with templates to create action plans. Learning paths are toolkits based on different skills development needs, from digital marketing strategy, digital transformation and campaign planning through to improving results from individual channels such as organic search, social media marketing and developing skills in Google Analytics and website conversion-rate optimisation.

Smart Insights offers a freemium subscription model where people can sign-up as a free member to learn how to improve their approach or develop their skills while sampling training advice and planning templates. Each month Smart Insights gains 4,000 to 5,000 new free subscribers who are potential leads for the paid memberships.

To supplement its main online training subscription-based proposition, Smart Insights developed a hybrid revenue model similar to other training platforms and B2B publishers by also offering advertising for marketing vendors who are looking to develop awareness and generate leads. Free members who are not interested in the training proposition may be interested in services from B2B vendors, which include B2B martech suppliers such as email, marketing automation and digital experience SaaS providers, and also agencies. Because of the limited number of page impressions involved with B2B publishing it was found not to be effective to use a simple ad-funded model displaying banner ads on an ad network such as Google AdSense/Google Display Network to generate revenue on a cost-per-click basis. Instead, a content marketing partnership offering was developed, where B2B vendors can select from a package of options to generate leads, including featuring their white papers in e-newsletters or dedicated 'solus' emails to an email list of around 200,000 active opted-in subscribers to generate leads via landing pages on their sites where they can then nurture interest in their services. Other options include co-branded content including webinars and reports. Higher fees can be attracted through this model compared to a simple impression-based ad model. However, this requires investment to develop quality content plus a dedicated sales team to explain the options and manage customer accounts.

The team and technology

Co-founders Stuart Miller, Danyl Bosomworth and Dave Chaffey pooled their experience across marketing technology, brand marketing, digital marketing and analytics, developed through their work in marketing for businesses as consultants and for agencies working with businesses from different sectors.

Blog content with topics in line with the manifesto was initially created by the co-founders. Outreach to marketing contacts was used to invite different specialist 'expert commentators' to take part in contributing high-quality guest posts to the blog, who freely shared their experiences about their specialist area of digital marketing, from marketing strategy and analytics to channels such as SEO, social and email marketing. This had the advantage that these influencers would share the articles with their followers, and they would benefit from reaching a larger audience through contributing to a respected publisher. Following launch of paid subscription in 2012, by which time the website had 100,000 visits per month, budget was available to expand the member resources and frequency of blog updates available through part-time virtual team members via what became **Upwork.com**.

As subscription and content partnership revenue grew and the company was profitable, a team was established in an office in Leeds with key marketing roles including a marketing manager, blog and social media editor, email marketing and CRM manager plus web development and design. A sales and marketing director also manages a business development team with sales people and account or customer success managers responsible for demonstrating the benefits of the platform to larger businesses and onboarding customers.

Since external investment wasn't sought, low-cost SaaS technology was used as the marketing technology for the business, with the site using the open-source CMS WordPress. Google Analytics is used to track effectiveness, plus Google Optimize and OptinMonster for AB testing. For CRM, managing leads and email marketing, Salesforce and Pardot are used to develop understanding of customers.

Audience

Smart Insights attracts around 500,000–600,000 visits each month with 1 million page views (or page impressions). There is a seasonality to traffic since many university students studying professional qualifications use Smart Insights to support their studies, leading to higher traffic in the autumn, new year and spring. Many business managers are also preoccupied with planning for marketing during these times and are looking for advice on improving their planning.

Smart Insights has a global audience, with a focus on customers in English-speaking countries. Since this is a B2B site, the majority of the audience use desktop (75 per cent) with 23 per cent on smartphone and 2 per cent on tablet. The top countries by volume of visitors are as below, showing how inbound marketing can be used to attract a global audience:

1. United States: 22 per cent.
2. India: 14 per cent.
3. United Kingdom: 13 per cent.
4. Australia: 4 per cent.
5. Canada: 4 per cent.
6. Philippines: 3 per cent.
7. Malaysia: 2 per cent.
8. Singapore: 2 per cent.
9. Germany: 2 per cent.
10. South Africa: 2 per cent.

To develop its proposition and communications to focus on customers with different needs, Smart Insights has developed personas and content maps for the main roles that are interested in paid services. These include people who are responsible for marketing overall, digital activities (e.g. digital marketing managers, e-commerce managers and channel specialists), small business owners, agency owners or managers and those responsible for marketing technology companies. Since specific insights and marketing techniques apply to different sectors, Smart Insights has also developed content to help people working in different sectors including retail, financial services, travel, healthcare and different business-to-business sectors.

Smart Insights uses profiling on registration and based on content viewed in order to understand audience characteristics and needs. A segmented navigation is used to appeal to these roles and different business sectors with specific content. Figure 4.11 shows a 'segmented customer journey' which gives three choices, with the next page tailored for each audience, who self-segment based on their needs. This segmented approach helps to increase relevance and so conversion, but also gives insights from analytics on how many share an interest. Here, the business has shared with us that the relative proportion of clicks on buttons is 40 per cent Improve my skills (mainly individuals), 40 per cent Grow my business (mainly leaders in companies) and 20 per cent Upskill my team (team leaders in companies with a training need).

Marketing communications mix

Google Analytics traffic reports show the relative importance of owned and earned media. The main channels and conversions achieved measured by the last-click model are:

- **Organic search:** 82 per cent of visits, 70 per cent of free member conversions, 44 per cent paid individual conversions.
- **Direct visits:** 11 per cent of visits, 15 per cent of free member conversions, 20 per cent paid individual conversions.
- **Referrals from other sites:** 3 per cent of visits, 7 per cent of free conversions, 5 per cent paid individual conversions.
- **Social media:** 1 per cent of visits, 2 per cent of free conversions, 3 per cent paid individual conversions.
- **Email marketing:** 1 per cent of visits, 3 per cent of conversions, 16 per cent paid individual conversions.
- **Paid search (Google Ads):** $<$ 1 per cent of visits, 1.5 per cent of free conversions, 2 per cent paid individual conversions.
- **Display advertising:** $<$ 1 per cent of visits, 1.5 per cent of free conversions, $<$ 1 per cent paid individual conversions.

It's clear that organic search is a major contributor, attracting visits and conversions. However, other channels are effective in supporting nurture where people don't convert immediately. In particular, email marketing and to a lesser extent social media, display and paid search have a higher proportion of conversions compared to visits.

Social media would appear to have an insignificant impact on revenue based on the volume of visits and conversions. But with over 100,000 followers across different social networks, it's still seen as a significant channel to support brand development by developing awareness, familiarity, favourability and purchase intent. The relative importance of social networks by visits are:

- Facebook: 41 per cent.
- LinkedIn: 23 per cent.
- Twitter: 16 per cent.
- Pinterest: 9 per cent.
- YouTube: 3 per cent.
- Instagram: $<$ 1 per cent.

Success factors: organic search and social media

The volume of visits achieved through an 'always-on' focus on organic search and conversion-rate optimisation has been achieved within a competitive marketplace, with many specialist, publishers, training and marketing technology vendors seeking to grow awareness and leads within a similar target audience. In the last part of this case, we will review communications techniques that have been used to help achieve success.

Google Keyword Planner revealed that although digital marketing is only part of marketing communications, search intent is much higher for people looking to develop their digital skills. A detailed keyword gap analysis was developed to understand search behaviour and target specific 'long-tail' terms such as 'digital marketing strategy and planning', plus qualifiers describing specific needs such as templates, guides and training courses.

A content strategy defining what is published on the blog is important to define the range of topics, content and formats used on the blog, and to achieve a suitable cadence to engage people via social media. The strategy is based on what marketers will find practically useful to develop their skills and knowledge and inform their decisions, including topics such as:

- alerts on platform developments from Google and the social networks to show new marketing techniques;
- trends in digital marketing based on research conducted with members and published in free reports;
- statistics of consumer digital adoption and benchmarking;
- best practices on using different channels and analytics to gain better results.

High-quality articles, reports and infographics on those topics that have been most successful to support lead generation and subscription also tend to attract backlinks from other bloggers who are looking to inform their articles, through the latest statistics for example. This is part of a 'virtuous circle' where successful articles can be kept up to date and republished, which keeps them engaging and so rank well in Google. Investment in design to visualise frameworks developed by Smart Insights, such as the RACE planning framework, is thought to be worthwhile since this content highlights thought leadership and gains good levels of social media amplification.

The content marketing strategy was implemented through a guest blogging model using in-house authors and selected expert commentators. As noted in this chapter, this is not an approach endorsed by Google, but with authoritative writers and use of a blog-style guide to ensure quality articles this has proved effective. However, the growth in popularity of content marketing and guest blogging means that Smart Insights now only uses invited authors since it receives hundreds of requests to contribute each month and experience has shown that it's difficult to achieve the quality needed for Google's E-A-T guidelines even with a blogging style guide. The digital experience isn't the focus of this case, but investment in interactive tools to help marketers benchmark their marketing capabilities and digital marketing skills also form part of the content strategy.

Once free members or paid subscribers are signed up, it's important to engage them through relevant, valuable content. Email automation is an important tactic to send automated emails targeted to prospects and customer interests after they subscribe. This is an automated 'always-on' process, but it needs to be optimised and updated with the latest advice fitting audience concerns. This is also achieved by a regular weekly newsletter, which seeks to get the balance of inform–sell–entertain right by featuring both useful information and promotions.

Regular campaigns are planned throughout the year focusing on the interests and concerns of marketers. These are then linked to free reports and relevant training to achieve commercial goals. Themes for these 'thought leadership' campaigns have included digital transformation, actionable analytics and how to drive growth in different sectors. Social media, email marketing, paid search, on-site panels and webinars are the most important channels for highlighting these.

Developing credibility as a trusted source of information has been supported by activities such as Dave Chaffey presenting research and advice at hundreds of industry conferences and professional meetings. Online this is achieved through regular webinars on Smart Insights or webinars and podcasts with related brands. An additional benefit of the hybrid revenue model is that joint reports and webinars have been delivered through co-marketing with very large businesses such as Adobe, Oracle, Episerver, HubSpot and Salesforce and many other smaller martech vendors, which have their own audience so can be used to develop awareness. Credibility is also shown by the 'Excellent' TrustPilot rating, with customer user-generated content important in helping validate the value of the proposition. It's also recognised that authoring texts such as the one you are reading has also played a role in developing credibility and awareness of Smart Insights!

Source: Smart Insights (Marketing Intelligence) Ltd

Questions

1. How do different measures of effectiveness show the most effective digital communications channels for Smart Insights?
2. How does Smart Insights differentiate its proposition within a crowded marketplace focusing on digital marketing skills development?
3. Organic search is the most important channel by volume – which factors have been important in achieving and maintaining visibility for Smart Insights within Google?

Summary

1. Online promotion techniques include:
   - *Search engine marketing* – search engine optimisation (SEO) and content marketing improves position in the natural listings and pay-per-click ads feature a company in the listings of a search engine or on the display network of third-party sites.
   - *Digital PR* – including techniques such as influencer outreach, link-building, blogging and reputation management.
   - *Digital partnerships* – including affiliate marketing (commission-based referral), co-marketing and sponsorship.
   - *Digital advertising* – using a range of formats including banners, skyscrapers and video across publisher and social network sites. Programmatic is the main form of display investment. Retargeting is an important tactic to remind people about brands they have interacted with.
   - *Digital messaging* – including text messaging, mobile push notifications, co-branded emails, event-triggered emails and ads in third-party e-newsletters for acquisition, and e-newsletters and campaign emails to house lists.
   - *Social media marketing* – engaging audiences on different social networks and on a company's own site through sharing content and developing great creative concepts that are transmitted by online word-of-mouth or viral marketing.
2. Offline promotion involves promoting the website address, highlighting the value proposition of the website and achieving web response through traditional media advertisements in print or on television.
3. Interactive marketing communications must be developed as part of integrated marketing communications for maximum cost-effectiveness.
4. Key characteristics of interactive communications are the combination of push and pull media, user-submitted content, personalisation, flexibility and, of course, interactivity to create a dialogue with consumers.
5. Objectives for interactive communications include direct sales for transactional sites, but they also indirectly support brand awareness, favourability and purchase intent.
6. Important decisions in the communications mix introduced by digital media include:
   - the balance between spend on media and creative for digital assets and ad executions;
   - the balance between spend in traditional and online communications;
   - the balance between investment in continuous and campaign-based digital activity;
   - the balance of investment in different interactive communications tools.

Table 9.5 provides a summary of the strengths and weaknesses of the tools discussed in this chapter.

Table 9.5 Summary of the strengths and weaknesses of different communications tools for promoting an online presence

Promotion technique	Main strengths	Main weaknesses
Search engine optimisation (SEO)	Highly targeted, relatively low cost compared to PPC. High traffic volumes if high volume of search intent and is SEO effective. Considered credible by searchers	Requires significant ongoing investment in content marketing and due to intense competition, complexity and changes to ranking algorithm. Investment won't necessarily guarantee returns and top three position in results needed for volume
Pay-per-click (PPC) marketing	Highly targeted to reach audience when searching for products or solutions. Controlled cost of acquisition. Can extend reach and remarket using the display network	Relatively costly in competitive sectors, particularly where others are paying 'over the odds'. Lower volumes compared with organic visits

Promotion technique	Main strengths	Main weaknesses
Digital PR and influencer marketing	Relatively low cost and good targeting. Can assist with SEO through creation of backlinks	Identifying online influencers and setting up partnerships can be time-consuming. Need to invest in content marketing to encourage sharing
Affiliate marketing	Performance marketing approach of payment is by results (e.g. 5 per cent of sale or leads goes to referring site)	Only relevant for businesses with online sales. Costs of payments to affiliate networks for setup and management fees. Changes to ranking algorithm have reduced volume from affiliates using search
Online sponsorship	Most effective if low-cost, long-term co-branding arrangement with synergistic site	May increase awareness, but does not necessarily lead directly to sales
Digital display advertising	Reach audience through publishers and social networks to gain awareness and encourage click-through, including through retargeting. But also has a role in branding through media-multiplier effect. New 'native advertising' formats based on content can be more effective	Response rates have declined historically because of 'banner blindness'
Email marketing	Push medium – can't be ignored in user's inbox (compared to social updates). Can be used for direct-response link to website	Requires opt-in for effectiveness. Better for customer communications than for acquisition since can't buy prospect lists. Inbox cut-through – message diluted among other emails. Limits on deliverability
Social media marketing, viral and word-of-mouth marketing	With an effective viral agent, possible to reach a large number at relatively low cost. Influencers in social networks can be significant and existing customers can be used for advocacy. Paid advertising options may be effective	Difficult to create powerful viral concepts and control targeting. Reduced organic reach means that Facebook requires payments to reach audiences. Risks damaging brand since unsolicited messages may be received
Traditional offline advertising (TV, print, etc.)	Larger reach than most online techniques and sometimes more cost-effective. Greater creativity possible, leading to greater impact	Targeting arguably less easy than online. Typical high cost of acquisition, but more cost-effective local options may be available

Exercises

Self-assessment exercises

1. Briefly explain and give examples of the main online promotion techniques.
2. Explain the factors that control the position of a company's products and services in the organic and paid listings of a results page of a search engine such as Google.
3. Compare the effectiveness of different methods of online advertising, including programmatic display advertisements, paid search marketing, paid social and affiliate marketing.
4. Explain how different forms of paid digital media can support advertiser goals.
5. Explain the value of different forms of social media marketing.
6. What are the options for using online PR to promote a new product?
7. How should companies evaluate the relevance and effectiveness of the digital media channels discussed in this chapter for their organisation?
8. How can email marketing be used to support lifecycle marketing objectives?

Exam and discussion questions

1. Give three examples of digital media channels and briefly explain their communications benefits.
2. Describe four different types of sites on which online display advertising for a car manufacturer's site could be placed.
3. Click-through is one measure of the effectiveness of display advertising.
   a. What is 'click-through'?
   b. Which factors are important in determining the click-through rate of a display advertisement?
   c. Is click-through a good measure of the effectiveness of display advertising?
4. What is meant by co-branding and co-marketing? Explain their relevance to different types of business.
5. Facebook and Google dominate digital media investment in many countries and are highly competitive. Discuss how businesses can plan media investment to achieve their goals.
6. How can conversational and digital messaging be used to improve customer acquisition and retention?
7. Briefly evaluate the strengths and weaknesses of affiliate marketing for a retailer.
8. How should a business decide on its social media investment priorities for organic and paid social activities using different social networks?

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter are selected to cover the best advice and news on developments in digital media channels, in particular search and social media marketing.

10 Evaluation and improvement of digital channel performance

Learning objectives and topics

After reading this chapter, you should be able to:

- Understand the process, KPIs and tools used to measure and improve digital marketing effectiveness
  - Performance management for digital channels
- Review data within Google Analytics to identify performance and improvements
  - Using Google Analytics to evaluate and improve digital marketing
- Identify the activities necessary when researching and managing digital activities and content
  - Marketing research using the internet and digital media
  - Content management process
  - Responsibilities for customer experience and site management

Case study

Case study 10: Learning from Amazon's culture of metrics

Links to other chapters

This chapter is related to other chapters as follows:

- Chapter 4 describes the development of a digital marketing strategy. The aim of measurement and evaluation is to quantify whether the objectives of this strategy have been achieved.
- Chapter 7 describes issues involved in creating an effective digital experience including websites and mobile platforms, and should be read before this chapter to introduce the reader to the concepts of website management.
- Chapter 8 describes methods of increasing brand awareness online. It should be read before this chapter since one aspect of measuring the effectiveness of digital marketing is aimed at assessing the different online communications methods.

Introduction

Companies that have a successful approach to digital marketing often seem to share common characteristics. They attach great importance and devote resources to monitoring the success of their online marketing, putting in place the processes to continuously improve the performance of their digital channels. This approach has been fundamental to the growth of Amazon – Case study 10 in this chapter explains its culture of metrics.

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

The importance of defining an appropriate approach to measurement and improvement is such that the term **web or digital analytics** has developed to describe this key digital marketing activity. A Digital Analytics Association (**www.digitalanalyticsassociation.org**) has been developed by vendors, consultants and researchers in this area to develop practices. Its definition of web analytics is:

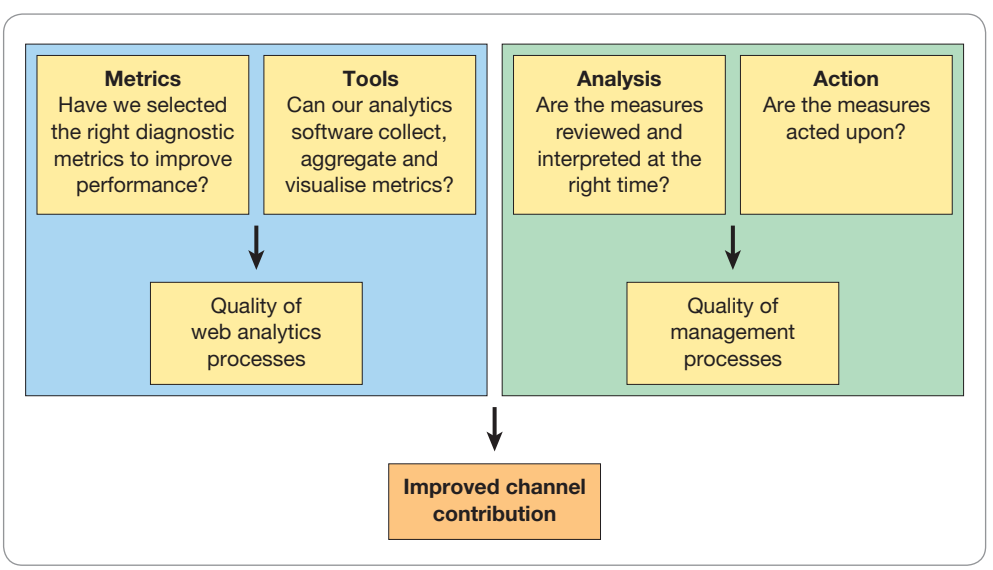
> Web analytics is the measurement, collection, analysis and reporting of Internet data for the purposes of understanding and optimizing Web usage.

You can see this is a 'catch-all' definition. How do you think it could be improved? We think it could reference the commercial aims of optimisation and the measurement of multichannel usage.

To succeed in a measured approach to improving results from digital marketing we suggest that there are four main organisational prerequisites, which are broken down as shown in Figure 10.1 into the quality of the web analytics processes, including defining the right improvement measures and purchasing the right tools, and the management processes – such as putting in place a process where staff review results and then modify their marketing activities accordingly.

This chapter is in two parts – the first part is about performance management, where we review the approach to improving the results from digital marketing through assessing appropriate measures, tools and the right process to apply them, as suggested by Figure 10.1. We show how these relate to using Google Analytics, which is the most widely used digital analytics tool. In the second part, we review some of the issues involved with maintaining an online presence, looking at the tools and processes for improving different company web presences.

Figure 10.1 Key questions in evaluating process, metrics and tools for improving the contribution of digital marketing within an organisation



Essential digital skills — Evaluating digital marketing effectiveness

Evaluation skills to review and improve digital marketing using analytics are in high demand since digital marketing has great potential to be data-driven and employers are looking for data analysis skills.

We recommend you develop the following skills:

- Analysing digital marketing effectiveness using relevant measures, particularly for digital media, website customer journeys and content effectiveness.
- Understanding how to use digital marketing analytics systems such as Google Analytics and Adobe Analytics, and data visualisation tools such as Google Data Studio, Tableau or open-source statistical analysis tool 'R'.
- Knowing how to run structured experiments such as AB testing to improve site effectiveness.
- Understanding how different types of marketing technology can be used for measuring and improving customer engagement.

Practical ideas to boost employability by showcasing your interests and experiences include:

- Accessing the Google Analytics demo account to understand how Google Analytics is structured.
- Showing how you have used Google Analytics or AB testing to improve marketing effectiveness.
- Demonstrating that you understand the essential measures needed on a digital marketing dashboard.
- Setting up and running a blog as an example of using a web-hosted content management system, e.g. **WordPress.com**. Set up Google Analytics on this blog.

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

Performance management for digital channels

Performance management system
A process used to evaluate and improve the efficiency and effectiveness of an organisation and its processes.

Performance measurement system
The process by which metrics are defined, collected, disseminated and actioned.

Digital marketing metrics
Measures that indicate the effectiveness of digital marketing activities integrated across different channels and platforms in meeting customer, business and marketing objectives.

To improve results for any aspect of any business, performance management is vital. As Bob Napier, Chief Information Officer at Hewlett-Packard, was reported to have said back in the 1960s, 'You can't manage what you can't measure'. The processes and systems intended to monitor and improve the performance of an organisation are known by business operations researchers as **performance management systems** and are based on the study of **performance measurement systems**.

Today, nearly all organisations have some form of online presence, but the questions highlighted in Figure 10.1 often aren't answered adequately. So, a good starting point is to understand the current improvement process and the organisational barriers that prevent a suitable improvement process.

In this section, we will review approaches to performance management by examining three key elements of a digital marketing measurement system. These are, first, the *process* for improvement, second, the measurement framework that specifies groups of relevant **digital marketing metrics** and, finally, an assessment of the suitability of tools and techniques for collecting, analysing, disseminating and actioning results. We will review these three stages of creating and implementing a performance management system.

Creating a performance management process

The essence of *performance management* is suggested by the definition for performance *measurement* used by Andy Neely and co-workers of Cranfield School of Management's Centre for Business Performance. They defined performance measurement as (Neely *et al.*, 2002):

> the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data.

Performance management extends this definition to the process of analysis and actioning change in order to drive business performance and returns. Online marketers can apply many of the approaches of business performance management to digital marketing by using digital analytics tools such as Google Analytics or Adobe Analytics. Yet, although most businesses have set up these services on their websites, in particular the free version of Google Analytics, a process is still needed to utilise the data and tools for performance management. As you can see from the definition, performance is measured primarily through information on process **effectiveness** and **efficiency**, as introduced in Chapter 4 in the section on objective setting, where we noted that it is important to include both effectiveness and efficiency measures.

Effectiveness
Meeting process objectives, delivering the required outputs and outcomes: 'doing the right thing'.

Efficiency
Minimising resources or time needed to complete a process: 'doing the thing right'.

Activities involved with performance management will often involve managers in smaller companies, and in larger companies specialists or agencies may be used. The Digital Analytics Association's 2017 survey of analytics professionals reported these as the most popular analytics functions:

- reporting and dashboard visualisation (82 per cent);
- analysis of past performance (80 per cent);
- optimising website functionality and conversion (67 per cent);
- optimising campaign performance (67 per cent);
- AB and multivariate testing (52 per cent).

You can see from this list that analysts are involved both with reporting and optimisation of digital experiences and campaigns. Predictive metrics of future performance were relatively low (35 per cent).

The need for a structured performance management process is clear when we examine the repercussions if an organisation does not have one. Typical problems include: poor linkage of measures with strategic objectives or even absence of objectives; key data not collected; data inaccuracies; data not disseminated or analysed; or no corrective action. The barriers can be grouped as follows:

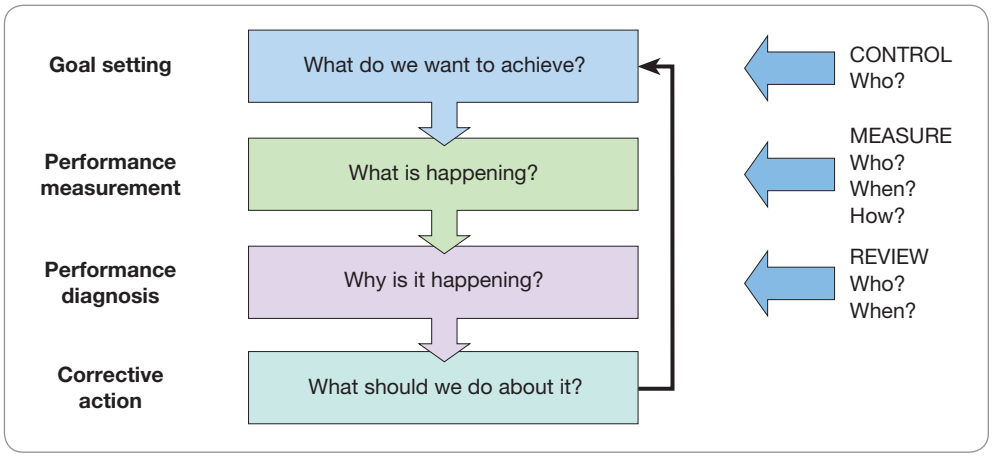
- **Senior management myopia:** performance measurement not seen as a priority, not understood or targeted at the wrong area – reducing costs rather than improving performance.
- **Unclear responsibilities:** for delivering and improving the measurement system.
- **Resourcing issues:** lack of time (perhaps suggesting lack of staff motivation), lack of necessary technology and integrated systems.
- **Data problems:** data overload or of poor quality, limited data for benchmarking.

Analytics challenges reported by digital analysts in the Digital Analytics Association (2017) are most commonly related to data integration and accuracy:

- data access/data silos (22 per cent);
- incomplete data (16 per cent);
- inaccurate data (16 per cent);
- inadequate analytics tools (10 per cent).

To avoid these pitfalls, a coordinated, structured measurement process such as that shown in Figure 10.2 is required. Figure 10.2 indicates four key stages in a measurement process. These were defined as key aspects of annual marketing plan control by Kotler (1997). Stage

Figure 10.2 A summary of the performance measurement process



1 is a goal-setting stage where the aims of the measurement system are defined – this will usually take the strategic digital marketing objectives as an input to the measurement system. Stage 2, performance measurement, involves collecting data to determine the different metrics that are part of a measurement framework, as discussed in the next section. Stage 3, performance diagnosis, is the analysis of results to understand the reasons for variance from objectives and selection of marketing solutions to reduce variance.

In a digital marketing context, Stage 4, corrective action, is the implementation of these solutions as regular updates to content, design, ongoing marketing communications and CRO. After this stage the continuous cycle repeats, possibly with modified goals.

Defining the performance metrics framework

Measurement for assessing the effectiveness of digital marketing should assess the contribution of digital marketing at different levels from commercial, strategic issues to communications tactics:

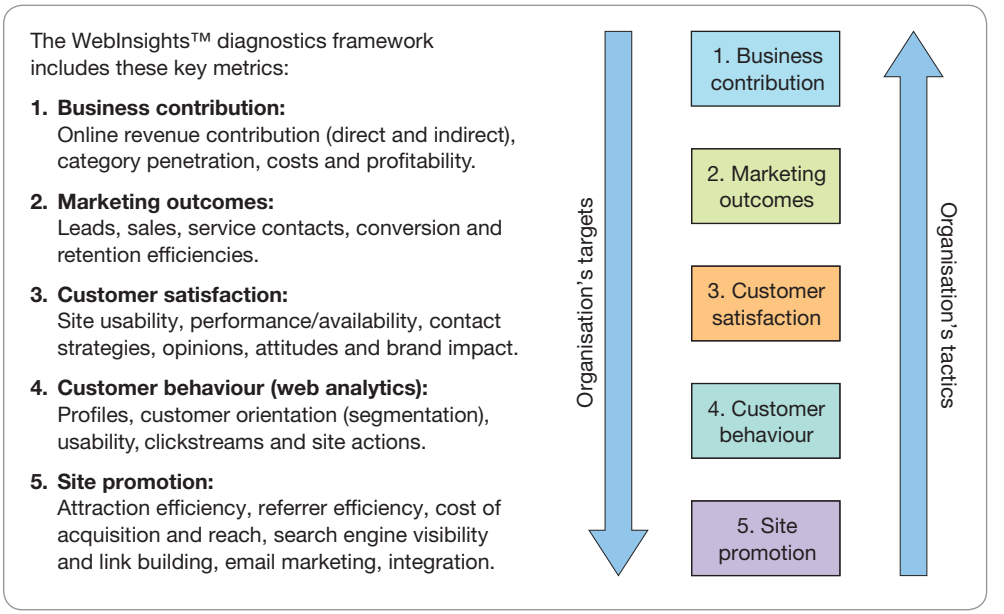
1. Are business objectives defined in the digital marketing strategy being met?
2. Are marketing objectives plans achieved?
3. Are marketing communications objectives achieved?

Figure 10.3 shows a recommended framework of measures for evaluating and reporting on digital marketing, which applies in different sectors. The groupings of measures remain relevant; although they are centred on sites or online presence, measures for engagement with social media should also be considered. In Chapter 4, we also reviewed two alternative frameworks (see Tables 4.5 and 4.8) that can be used for creating a performance dashboard.

Chaffey (2000) suggested that organisations should define a measurement framework similar to Figure 10.3 or create a management dashboard that defines groupings of specific metrics used to assess digital marketing performance. He suggested that suitable measurement frameworks will fulfil the following criteria:

- Include macro-level effectiveness metrics that assess whether strategic goals are achieved and indicate to what extent digital marketing contributes to the business (revenue contribution and return on investment).
- Include micro-level metrics that assess the efficiency of digital marketing tactics and implementation. Such measures are often referred to as *performance drivers*, since achieving targets for these measures will assist in achieving strategic objectives.

Figure 10.3 The five diagnostic categories for digital marketing measurement



Source: Chaffey (2000)

- Assess the impact of digital marketing on the satisfaction, loyalty and contribution of key stakeholders (customers, investors, employees and partners), as suggested by Adams *et al.* (2000).
- Enable comparison of performance of different digital channels with other channels, as suggested by Friedman and Furey (1999).

When identifying metrics it is common practice to apply the widely used SMART mnemonic, and it is also useful to consider three levels – business measures, marketing measures and specific digital marketing measures (see the objective-setting section in Chapter 4). We will now summarise the measures referenced earlier in the text using the framework shown in Figure 10.3.

Business contribution

A contribution to business goals or profitability is always the ultimate aim of digital marketing and e-commerce. To assess this, leading multichannel companies set an online contribution target of achieving a certain proportion of sales via the channel. Assessing contribution is more difficult for a company that cannot sell products online, but the role of the internet in influencing leads and purchase should be assessed. Discounted cash flow techniques are used to assess the rate of return over time.

Wilson *et al.* (2008) have pointed out there is a need to evaluate how different channels support each other. The implication is that retailers need to measure the impact of digital touchpoints on offline sales, such as those achieved through online branding campaigns or click and collect. Dell Computer (**www.dell.com**) and other retailers record on-site sales and also orders generated as a result of site visits but placed by phone, using call-tracking software. This is achieved by monitoring calls to a series of unique phone numbers on the site for each country.

Dell reports:

> **Traditional metrics have been aligned to channels, measuring resource input or leads in at one end and the value of sales generated by the channel at the other end. For companies that have been operating in a single channel environment, this might have been relatively efficient – but it no longer works when the organisation diversifies to a multichannel approach.**

Marketing outcomes

Channel outcomes
Record of customer actions taken as a consequence of a visit to a site.

Conversion rate
Percentage of site visitors who perform a particular action such as making a purchase.

Channel outcomes are traditional marketing objectives such as number of sales, number of leads, **conversion rates** and targets for customer acquisition and retention, and should be set for digital channels and then compared to other channels.

Key marketing outcomes

Typical marketing outcomes that need to be tracked and reported on using digital analytics and dashboards include:

- registration to site or subscriptions to an email newsletter (a new contact or lead);
- requests for further information such as a brochure or a request for a call-back from a customer service representative (a new contact or lead);
- responding to a promotion such as an online competition;
- an offline (phone or store) lead or sale influenced by a visit to the site;
- a sale on-site.

Key measures

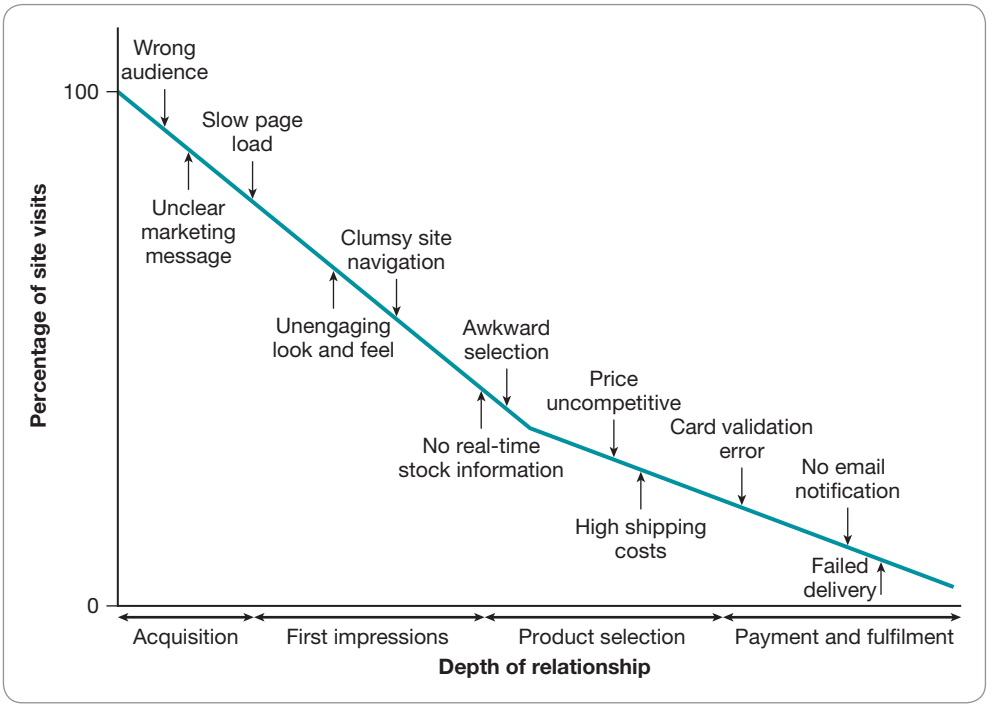
Measures that can be reported include:

- Channel contribution (direct and indirect). A widely used method of assessing channel outcomes is to review the conversion rate, which gives an indication of the percentage of site visitors who take a particular outcome. For example:
  - conversion rate, visitors to purchase = 2 per cent (10,000 visitors, of which 200 make purchases);
  - conversion rate, visitors to registration = 5 per cent (10,000 visitors, of which 500 register).

Attrition rate
Percentage of site visitors lost at each stage in making a purchase.

A related concept is the **attrition rate**, which describes how many visitors are lost at each step of a conversion funnel from landing page to checkout. Figure 10.4 shows that, for a set time period, only a proportion of site visitors will make their way to product information, a small proportion will add an item to a basket and a smaller proportion still will actually

Figure 10.4 Potential reasons for causing attrition on an e-commerce site



make the purchase. A key feature of e-commerce sites is that there is a high attrition rate between a customer adding an item to a basket and subsequently making a purchase. Reasons for this may include usability problems, fears about security or because customers are browsing products with the intention of buying them offline or in another channel.

Smart Insights (Chaffey, 2021) publishes a compilation of conversion and attrition rates for different sectors showing variation in conversion rates between 1 and 5 per cent for e-commerce sites and lead conversion of rates from 2 to 5 per cent for B2B services. Typically, conversion rates on smartphone are around half those of desktop since many people with both devices will research on smartphone, but purchase on desktop may be more convenient.

Customer satisfaction

Channel satisfaction
Evaluation of the customer's opinion of the service quality on the site and supporting services such as email.

Customer **channel satisfaction** with the online experience is vital in achieving the desired channel outcomes and it should be reviewed regularly to identify problems. Online research methods such as online questionnaires, exit intent surveys (see Chapter 7), focus groups and interviews can be used to assess customers' opinions of the website content and customer service and how it has affected overall perception of brand. Benchmarking services such as ForeSee (**www.foreseeresults.com**), based on the American Customer Satisfaction Index methodology, are published for some industries. These assess scores based on the gap between expectations and actual service.

Key measure

Customer satisfaction measures. These are discussed in Chapter 7 and include net promoter score for the channel and specific measures for ease of use, site availability and performance, and email response. To compare customer satisfaction with other sites, benchmarking services can be used.

Customer behaviour (web analytics)

Channel buyer behaviour
Describes which content is visited and the time and duration.

Once customers have been attracted to the site, tools such as Google Analytics can be used to review **channel buyer behaviour**. Measures used to assess this include content accessed, when they visit and how long they stay, and whether this interaction with content leads to satisfactory marketing outcomes such as new leads or sales. If visitors are incentivised to register on-site it is possible to build up profiles of behaviour for different segments. Segments can also be created according to visitor source and content accessed. It is also useful to recognise return visitors based on cookies set on a previous visit or times of login. In Chapter 6 we saw how hurdle rates can be used to assess activity levels for return visits, e.g. 30 per cent of customers return to use the online service within 90 days.

Key measures

Ratios for evaluating behaviour that are available in digital analytics system include:

- Bounce rates for different pages, i.e. proportion of single page visits.
- Home page views/all page views, e.g. 20 per cent = (2,000/10,000).
- **Stickiness**: page views/visitor sessions, e.g. 2 = 10,000/5,000.
- Repeats: visitor sessions/visitors, e.g. 20 per cent = 1,000/5,000.

Stickiness
An indication of how long a visitor stays on-site.

Channel promotion

Channel promotion
Measures that assess why customers visit a site – which adverts they have seen, which sites they have been referred from.

Referrer
The site that a visitor previously visited before following a link.

Channel promotion measures evaluate the volume, quality and value of traffic referred to digital experiences such as desktop or mobile sites. These include online media channels such as search, email and social media channels and offline channels. Web analytics can be used to assess which intermediary sites customers are referred from (the **referrer**) and which keywords they typed into search engines when trying to locate product information. Similar information on referrer is not typically available for visits to social media sites. Promotion is successful if traffic meets objectives of volume, quality, value and cost (as explained in

Chapter 8 where we also showed how UTM tracking in Google Analytics is used to distinguish between referrals from different channels such as social media and email marketing). Quality will be determined by whether visitors are in the target market and have a propensity for the service offered (through reviewing conversion (online or offline), attribution models (see Chapter 8), bounce rates and cost-of-acquisition for different referrers).

Key measure

For each referral source, such as paid search or display ads, it should be possible to calculate:

- percentage of all referrals or sales (and attribution to outcome, i.e. last-click model or assists, as described in Chapter 8);
- cost-per-acquisition (CPA) or cost-per-sale (CPS);
- percentage contribution to sales or other marketing outcomes such as leads.

Tools and techniques for collecting insight, running processes and summarising results

Organisations need to select the most appropriate tools for collecting and reporting metrics that meet requirements, such as reporting of marketing performance, accuracy, analysis and visualisation tools.

Techniques to collect metrics include the collection of site-visitor activity data such as that stored in digital analytics systems such as Google Analytics and Adobe Analytics, and the collection of metrics about outcomes such as online sales or email enquiries and traditional marketing research techniques such as questionnaires and focus groups, which collect information on the customer's experience on the website. Integration of customer data between data sources is a challenge, since often different tools for managing digital marketing such as web analytics, digital advertising, email marketing and customer relationship management (CRM) store data separately. Larger organisations invest in **customer data platforms (CDPs)** to unify this data from different sources.

Customer data platforms (CDPs)
A CDP provides a consolidated view of customer data from marketing, sales and service channels to maintain a consolidated view of customer profiles and interactions, potentially including: personal identifiers; website visits with tracking codes; mobile app sessions; email responses; chat transcripts; audio recordings of customer service interactions; social media comments; purchase orders.

Organisations need to select the most appropriate tools for collecting and reporting metrics that meet requirements, such as reporting of marketing performance, accuracy, analysis and visualisation tools. CDPs should be compared based on their integration with other marketing information systems (import, export and integration using XML standards), ease of use, configuration (e.g. creation of custom dashboards and email alerts), support quality, cost of purchase, configuration and ongoing support.

Using Google Analytics to evaluate and improve digital marketing

Google Analytics is the most popular tool for measuring digital communications effectiveness. Tools such as Adobe Analytics and Google Analytics 360 are used in larger organisations that need more precise data and support; however, the measures and reports used for evaluation are similar. All these tools collect and report on **site-visitor activity data** including the number and location of visitors on a site, the referring source and the paths or **clickstreams** they take through the site as they visit different content.

Site-visitor activity data
Clickstream data on website referrers, content accessed by website visitors and profile information.

Clickstream
A record of the path a user takes through a website. Clickstreams enable website designers to assess how their site is being used.

How is Google Analytics data recorded?

Activity data are collected by JavaScript tracking code or 'analytics tags' that are added to the header section of each HTML page on a site. When a page is loaded by a site visitor in their browser, the tracking code is activated and details of the visit are sent to the server of an analytics tool such as Google Analytics, where marketers can sign in to review the summary and aggregated data. Typically, it's not possible and against Google's terms of service

to find information about an individual. The method for setting up tracking depends on the version of Google Analytics, but most sites currently use the global site tag (**gtag.js**). There is also an option to tag sites using Google Tag Manager, which has the advantage that a single tool can be used for managing JavaScript codes from different marketing technology, and it can be used for other purposes such as specifying Google Ads remarketing lists, which were outlined in Chapter 9.

Applying Google Analytics reports and measures

Hit
Recorded for each graphic or text file requested from a web server. It is not a reliable measure for the number of people viewing a page.

Before the advent of SaaS analytics, website visitor interaction information was typically collected using log files. A server-based log file is added every time a user downloads a piece of information (a **hit**) such as a page or image within the page. They are not a measure available in Google Analytics and are no longer used by most organisations, although they may be used for technical reviews of server load and search robot crawling. So don't refer to hits!

Despite their usage by some poorly informed commentators, hits are not a useful measure of website effectiveness since if a page consists of ten graphics, plus text, this is recorded as 11 hits.

Google Analytics presents many different reports on data recorded by its tracking codes, however, there are a relatively small number that are useful for marketers to access regularly to report on performance, since some data, such as countries of visitors or proportion of visitors with different devices, don't vary much from one month to the next. Experienced marketers and data analysts know through experience which are most relevant for performance review. Complete Activity 10.1 to learn the structure of reports in Google Analytics.

Activity 10.1 — Using Google Analytics reports to review marketing effectiveness

Purpose

To understand how insights are structured in different reports in Google Analytics so that performance can be evaluated by asking the right questions. Examples of 10 different types of questions are covered, with follow-up questions in each of these categories.

Activity

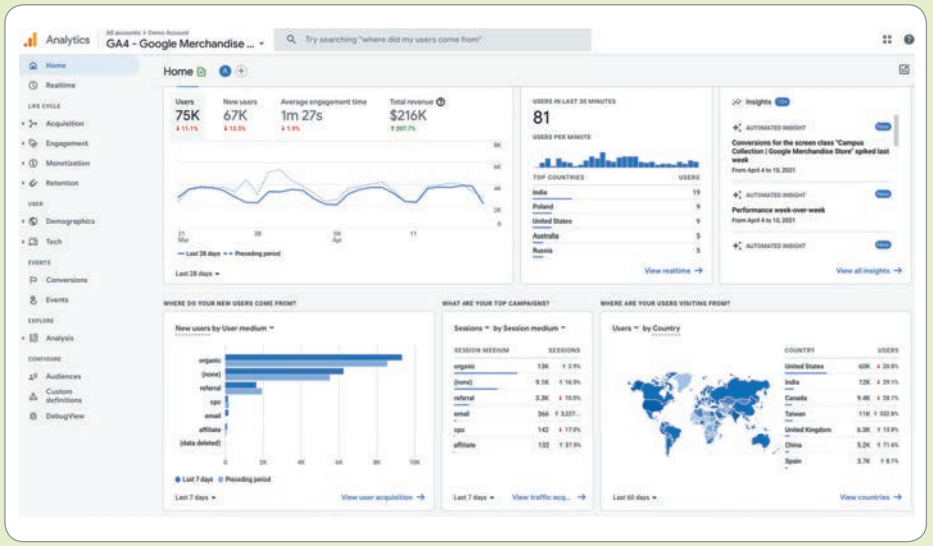
Access the example data from a simple retailer: 'the Google Merchandise Store' available in the Google demo account (**https://support.google.com/analytics/answer/6367342**) for both Universal Analytics (the reports currently used by most businesses) and Google Analytics 4 or GA4 (newer reports, which will eventually replace Universal Analytics). Figure 10.5 shows how the home dashboard of GA4 illustrates how different reports highlight the questions the marketer should be asking.

Use the different reports to answer the questions posed in Table 10.1. This gives an indication of the types of practical questions asked by Dave Chaffey when reviewing clients' sites as a web analyst and consultant.

As you review the answers to different questions, consider the common scenario where you have to review traffic between a current time period, e.g. a month and a previous time period. How do you do this? Typically, you're interested in the differences or 'deltas' of month-on-month and year-on-year. So, Google Analytics users can compare different time periods using the calendar widget.

Note: At the time of writing, Google has introduced a major update to its reports, so within the demo account you can compare between the original Universal Analytics (UA), which are based around page views – which most businesses still use – and the new GA 4 reports, which are based around users and events. We have marked where reports may differ.

Figure 10.5 Analyst questions highlighted on Google Analytics 4 dashboard



Source: Google LLC

Table 10.1 Key questions to review digital marketing effectiveness using Google Analytics

Analyst question	Typical web analytics report terminology	Diagnosis used by analyst to improve performance
Q1. What are our marketing activities doing for our business? What is a successful site visit for us? Is our audience getting value? What are the site goals?	Conversion goals reports (UA) Events report: conversions (GA4) E-commerce (if relevant to site)	Do goals cover marketing outcomes and audience engagement measures? Are macro-goals (e.g. leads and sales) and micro-goals, (e.g. other conversions) covered?
Q2. Who is visiting our site? What is the profile of visitors' demographics and technographics?	Audience reports: demographic details, e.g. country (GA4) Age, gender (UA)	Where are visitors located? Which devices and browsers do they use? What are common screen resolutions?
Q3. Which marketing activities drive visits and conversions? How do always-on and campaign activities compare?	Acquisition reports: channels (last click, UA) conversion reports, multichannel funnels (Attribution, UA) Add new comparison (GA4) Social media reports (UA)	How do the volume, quality, cost and value of different referring channels differ? How do number of visits and conversion rate for different goals compare for different channels? How do last click and attribution reports compare?
Q4. Which search keywords drive volume and conversion?	Acquisition reports (UA): search console, queries Google Ads, queries	How do organic and paid search keyword visits compare?
Q5. Where do visitors arrive?	Behaviour site content reports: landing pages (UA) engagement reports (Pages and Screens report, first sessions in GA4)	How does the volume, quality and value compare for different site sections and different landing pages?

Table 10.1 (Continued)

Analyst question	Typical web analytics report terminology	Diagnosis used by analyst to improve performance
Q6. How engaging is our content and which impacts on conversion?	Behaviour site content reports (UA), top pages Pages and Screens report (GA4)	Which content is most popular? How does content influence conversion? Page value (UA) and Event count (GA4)
Q7. What are the customer journeys or flows through the site?	Behaviour reports (UA): behaviour flow and navigation summary Analysis hub reports: behaviour flow path (GA4)	Which site sections and content are most/least important in the customer journey? Where do people commonly leave the site? Which are the most important on-site searches?
Q8. Which calls-to-action are effective? Events can be set up when users click on different calls-to-action	Behaviour reports (UA): navigation summary, event reports	Which calls-to-action are most and least effective?
Q9. How engaged are our visitors? Cohort reports are used to show what proportion of visitors return	Audience reports (UA) Engagement reports (GA4)	How long do visitors stay on site and how many pages do they access? Where do they leave? How often do visitors return?
Q10. How engaged are our customers? Customer visits aren't set up by default, registered users have to be assessed by a custom dimension	Custom reports (UA4) Audience reports (GA4)	What proportion of visitors are customers? How does customer behaviour differ from other visitors?

Note: UA refers to Universal Analytics; GA4 refers to Google Analytics 4, the latest version.

Page impression
A more reliable measure than a hit, denoting one person viewing one page. Also known as page view.

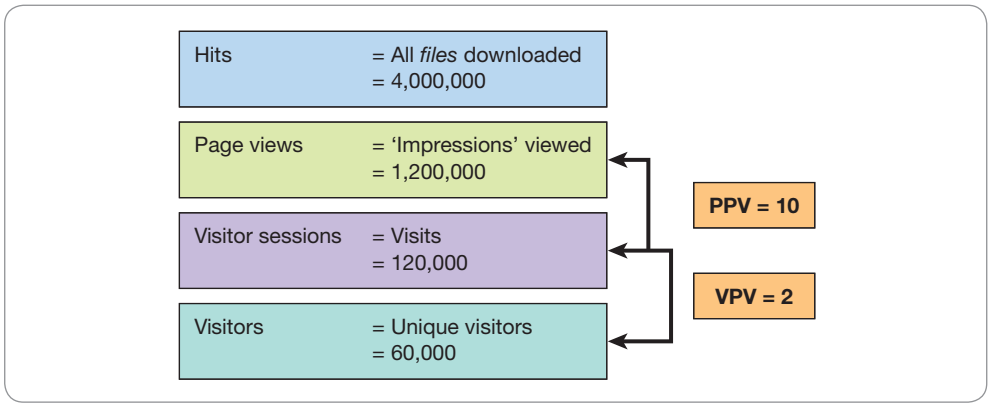
Unique visitor
Individual visitor to a site measured through cookies or IP addresses on an individual computer.

Rather than hits, **page impressions** or page views and **unique visitors** are better measures of site activity.

An example of visitor volume to a website using different measures based on real, representative data for one month is presented in Figure 10.6. You can see how hits are much higher than page views and unique visitors, and are quite misleading in terms of the 'opportunities to see' a message. We can also learn from the ratio between some of these measures the figure indicates:

- **Pages per visit (PPV).** This is the average number of pages viewed per visitor to a site (this is indicative of engagement with a site since the longer a visitor stays on a 'sticky site', the higher this value will be). PPV is a more accurate indication of stickiness than duration on a site in minutes since the latter figure is skewed upwards by visitors who arrive on a site and are inactive before their session times out at 30 minutes.
- **Visits per (unique) visitor (VPV).** This suggests the frequency of site visits. Readers will realise that this value is dependent on the period over which data are collected. These data are reported for a month, during which time one would not expect many returning visitors. So it is often more relevant to present these data across a quarter or a year.

Figure 10.6 Examples of different measures of visitor volume to a website



Clickstream analysis Reviewing the online behaviour of site visitors based on the sequence of pages that they visit, the navigation and promotion they respond to, the ultimate outcomes and where they leave the site.

Forward path analysis Reviews the popularity of subsequent clicks that occur from a page. This form of analysis is most beneficial from important pages such as the home page, product and directory pages. Use this technique to identify messaging/navigation combinations that work best to yield the most clicks from a page.

Reverse path analysis Reverse path analysis indicates the most popular combination of pages and/or calls to action that lead to a page. This is particularly useful for transactional pages such as the first checkout page on a consumer site, a lead generation or contact us page on a business-to-business site, an email subscription page or a call-me-back option.

Clickstream analysis becomes more actionable when the analyst reviews clickstreams in the context of a single page – this can be **forward path analysis** or **reverse path analysis**.

The navigation summary for an individual page in Google Analytics can help with path analysis since it shows upstream and downstream paths.

On-site search is another useful part of clickstream analysis on many sites since it is a key way of finding products or content, particularly in retail e-commerce sites, so a detailed search analysis will pay dividends. Key search metrics to consider are:

- number of searches;
- average number of searches per visitor or searcher;
- percentage of searches returning zero results;
- percentage of site exits from search results;
- percentage of returned searches clicked;
- percentage of returned searches resulting in conversion to sale or other outcome;
- most popular search terms – individual keywords and keyphrases.

Visitor segmentation

Segmentation is a fundamental marketing approach, but it is often difficult within web analytics to relate customer segments to web behaviour because the web analytics data aren't integrated with customer or purchase data.

However, all analytics systems have a capability for a different but valuable form of segmentation where it is possible to create specific filters or profiles to help understand one type of site visitor behaviour. Examples of segments include:

- First-time visitors or returning visitors.
- Visitors from different referrer types, including:
  - strategic search keyphrases, brand keyphrases, etc.;
  - display advertising.
- Converters against non-converters.
- Geographic segmentation by country or region (based on IP addresses).
- Type of content accessed, e.g. are some segments more likely to convert? For example, speaking at Ad Tech London '06, MyTravel reported that it segments visitors into:
  - site flirt (two pages or fewer);
  - site browse (two pages or more);
  - saw search results;
  - saw quote;
  - saw payment details;
  - saw booking confirmation details.

Design for analysis

Design for analysis (DFA)
The required measures from a site are considered during design to better understand the audience of the site and their decision points.

Measurement is often highlighted as an issue once the first version of a site has been 'up and running' for a few months, and employees start to ask questions such as 'how many customers are visiting our site, how many sales are we achieving as a result of our site and how can we improve the site to achieve a return on investment?'. The consequence of this is that performance measurement is something that is often built into an online presence retrospectively. Preferable is if a technique known as **design for analysis (DFA)** is designed into the site so companies can better understand the types of audience and their decision points. For example, for marketing and IT analyst Forrester (**www.forrester.com**), one of the primary navigation menu options is by customer type. This is a simple example of DFA since it enables Forrester to estimate the proportion of different audience types to its site and, at the same time, connect them with relevant content.

Other examples of DFA include:

- breaking up a long page or form into different parts, so you can see which parts people are interested in;
- a segmented landing page with several different options, e.g. content grouped by audience type or buying decision, and setting up content groups of related content within web analytics systems (known as Content Grouping in Google Analytics);
- measuring attrition at different points in a customer journey, e.g. exit points on a five-page buying cycle;
- a single exit page to linked sites.

Social media insights

Google Analytics groups all social media visits as one channel. It also has a series of dedicated social media reports in Universal Analytics. These are not available in GA4. Reporting on social media is summarised in Digital marketing insight 10.1.

Digital marketing insight 10.1 — Focus on measuring social media marketing

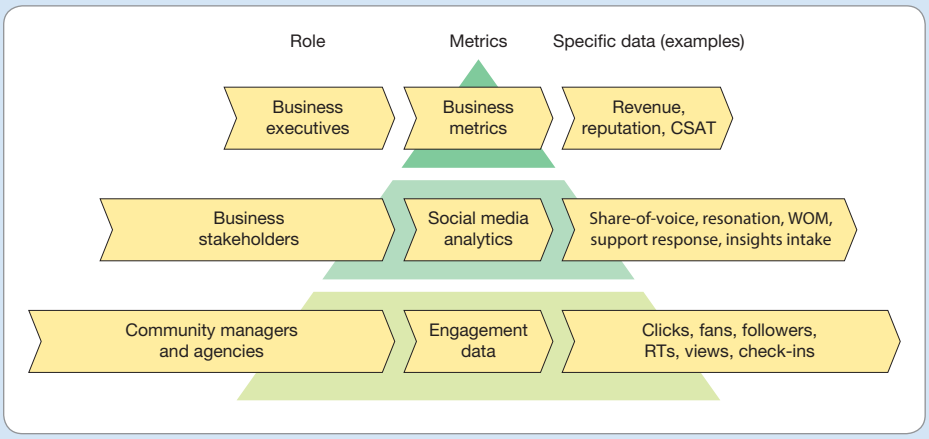
Social media marketing has its own range of specialist measures that can appear confusing, but are best understood in the context of a combination of website and PR measures. These show the volume, quality, sentiment and value of interactions. Analyst Altimeter (Owyang, 2010) has created a useful framework (shown in Figure 10.7) that helps map out different social media measures in the context of level of business management.

You can see that there are three levels of key performance indicators (KPIs):

- **Business-level KPIs to measure contribution from social media.** These KPIs include contribution to revenue through direct sales attributed to social media. Softer measures include reputation and customer satisfaction (CSAT).
- **Reach and influence KPIs to review reach, share-of-voice and sentiment.** These show the relative comparison of a brand's reach.
- **Engagement KPIs to manage social media.** These are the easiest measures to collect, but the least valuable since they don't directly show contribution to business value. Although easy to collect, data on interaction with social sites is often supplied separately by the owners of the different social presence and tools for managing social interaction.

A new class of social analytics tools has been created to bring this data together. Figure 10.8 shows an example from the social media management tool Hootsuite, where sharing of shortened URLs linking to different social media sites has driven traffic back

Figure 10.7 A framework for different measures used to evaluate and manage social media marketing



Source: Owyang (2010)

Figure 10.8 Example of measure from Hootsuite application for measuring social media marketing

Source: Hootsuite Inc

to a main website. Direct traffic is where visitors click direct through from a social media management application such as Hootsuite™ or Buffer™ to the site.

A common question within social media is how to assess the value of a consumer connecting with a brand, by liking on Facebook or following on Twitter, for example. Since the tracking of social media can't show what an individual does on the network, specific value is difficult to establish. Instead, what we can assess is the relative purchase rates of visitors from social media sites to websites compared to other channels, using measures such as conversion rate and revenue per visitor.

Structured experiments using AB and multivariate testing

Often, site owners and marketers reviewing the effectiveness of a site will disagree and the only method to be certain of the best-performing design or creative alternatives is through designing and running experiments to evaluate this. Matt Round, then Director of Personalisation at Amazon, speaking at the e-metrics summit in 2004, said the Amazon philosophy (described further in Case study 10) is:

> Data trumps intuition.

AB testing and multivariate testing are two measurement techniques that are now available to any company through free services such as Google Optimize, which can be used to review website effectiveness to improve results.

AB testing

AB testing
AB or A/B testing refers to testing two different versions of a page or a page element such as a heading, image or button for effectiveness. The alternatives are served alternately with the visitors to the page, randomly split between the two pages. Changes in visitor behaviour can then be compared using different metrics such as click-through rate on page elements like buttons or images, or macro-conversion rates, such as conversion to sale or sign-up.

Control page
The page against which subsequent optimisation will be assessed. Typically a current landing page. When a new page performs better than the existing control page, it becomes the control page in subsequent testing, also known as 'champion-challenger'.

In its simplest form, A/B or **AB testing** refers to testing two different versions of a page or a page element such as a heading, image or button. Some members of the site are served alternately, with the visitors to the page randomly split between the two pages. Hence it is sometimes called 'live split testing'. The goal is to increase page or site effectiveness against key performance indicators including click-through rate, conversion rate and revenue per visit. To review the effectiveness of new variants, knowledge of statistical significance confidence levels is needed since increases in success indicators could be misleading if they are only small variations or a decision is taken too early. There are specialist services for running AB tests such as Optimizely™ (**www.optimizely.com**), Convert™ (**www.convert.com**) and Unbounce™ (**www.unbounce.com**). Alternatively, businesses can use the free Optimize AB testing service available in Google Analytics. These services all advise on statistical significance – for example, reporting a winner at the 95 per cent confidence level.

When completing AB testing, new 'challenger' pages are compared to an existing baseline or **control page** (or audience sample). Two new alternatives can be compared to a control page, which is known as an ABC test. Different page elements that can be varied to improve page effectiveness are shown in Table 10.2.

An example of the power of AB testing is an experiment Skype performed on its main topbar navigation, where it found that changing the main menu options 'Call Phones' to 'Skype Credit' and 'Shop' to 'Accessories' gave an increase of 18.75 per cent revenue per visit (Skype was speaking at the 2007 e-metrics summit). That's significant when you have hundreds of millions of visitors! It also shows the importance of being direct with navigation and simply describing the offer available rather than the activity.

Multivariate testing

Multivariate testing is a more sophisticated form of AB testing that enables simultaneous testing of pages for different combinations of page elements that are being tested. This enables selection of the most effective combination of design elements to achieve the desired goal.

An example of a multivariate test is shown in Mini case study 10.1.

Planning and managing structured tests

Candidates for testing should be reviewed regularly and recorded. They should then be evaluated for business impact (i.e. estimated reward from increase in leads and sales, strategic and brand fit) against ease of implementation (i.e. based on costs, resources and technical differences).

Table 10.2 AB test example

Test	A (Control)	B (Test page)
Test 1	Original page	New headline, existing button, existing body copy
Test 2	Original page	Existing headline, new button, existing body copy
Test 3	Original page	Existing headline, existing button, new body copy

Mini case study 10.1 Multivariate testing at National Express Group increases conversion rates

National Express™ is one of the most recognised transport brands in the United Kingdom. The distinctive white coaches are in operation daily, visiting one of the company's 1,000 destinations. The brand is part of the wider National Express Group, which employs 41,000 people worldwide with coach services in Spain, Morocco, North Africa, Bahrain and North America and train services in the United Kingdom and Germany.

A significant proportion of ticket bookings are made online through the company's website at **www.nationalexpress.com/**.

The company used multivariate testing service Maxymiser from Oracle to run an experiment to improve conversion rates of a fare-selection page that was the penultimate step in booking. The analysis team identified a number of subtle alterations to content and calls-to-action on the page with the aim of stimulating visitor engagement and driving a higher percentage of visitors through to successful conversion, without changing the structure of the page or the National Express brand identity. In order to aid more effective up-sell to insurance add-ons, changes to this call-to-action were also proposed.

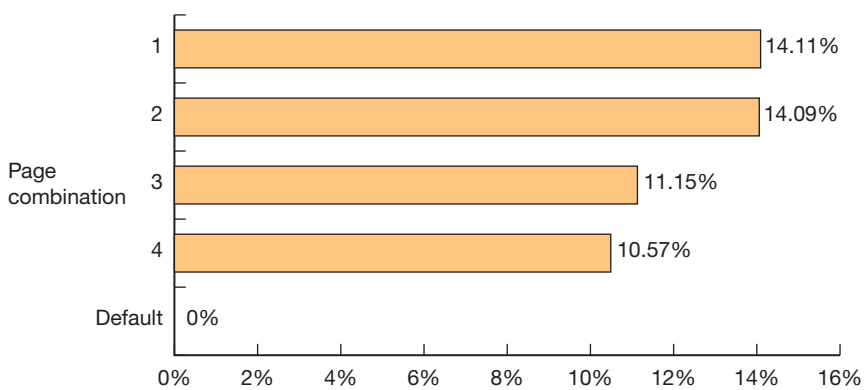
It was decided that a multivariate test would be the most effective approach to determine the best-performing combination of content. The variants jointly developed by Maxymiser and the client were tested with all live site visitors and the conversion rate of each combination monitored; 3,500 possible page combinations were tried, and during the live test the underperforming combinations were taken out to maximise conversion rates at every stage.

At the end of the testing period, after reaching statistical validity, results gave the best combination of elements, showing a 14.11 per cent increase in conversion rates for the page – i.e. 14.11 per cent more visitors were sent through to the fourth and final step in the registration process, immediately hitting bottom-line revenue for National Express (Figure 10.9).

Figure 10.9 Results of multivariate testing for National Express

Content combination	Maxybox A	Maxybox B	Maxybox C	Maxybox D	Maxybox E	Lift on control
1	Variant 3	Variant 2	Variant 4	Variant 3	Variant 1	14.11%
2	Variant 3	Variant 3	Variant 4	Default	Default	14.09%
3	Variant 6	Variant 3	Variant 4	Default	Default	11.15%
4	Variant 3	Variant 3	Variant 2	Default	Variant 3	10.57%
Default content	Variant 3	Variant 2	Default	Default	Default	0.00%

Conversion rate uplift by page combination:



Source: Oracle (n.d.)

Candidates for testing can include different page types and elements within a page. For example, on a landing page you could test the impact of:

- the primary value proposition or campaign message;
- your hero shot – the main photo or product shot;
- the body text that describes the details of your offer;
- your bullet points (features and benefits);
- changing the wording of your primary call to action (CTA);
- changing your lead generation form.

In Google Optimize, as with other similar tools, copy and images can easily be changed using the visual editor.

Every test should have a hypothesis, for example:

If I do 'X' I think it will improve 'Y'.

Often, improvements will relate to conversion rates, but you may measure other metrics on a page such as bounce rate.

Your analysis should lead you to the areas of the on-site customer journey that you think have the greatest issues and scope to deliver the greatest improvements. So, the process of running structured tests involves identifying page types and page elements that are most likely to yield improvements.

Marketing research using the internet and digital media

Internet-based marketing research
The use of online questionnaires and focus groups to assess customer perceptions of a website or broader marketing issues.

Voice-of-customer (VoC)
Research about customer perceptions of a brand including, customer satisfaction with services, customer preferences and new product development.

Internet-based marketing research can help determine the influence of a website and related communications on customer perception of the company and its products and services. But it also has wider applications of gaining feedback from customers about a brand and how it could develop in future. **Voice-of-customer (VoC)** research can be enabled by online platforms since customer research panels can be facilitated. For example, tools such as Qualtrics (**www.qualtrics.com**) and Alida (**www.alida.com**) can be used to gain insights from customers and company platforms can be rebranded. For example, Alida (formerly Vision Critical) launched a VoC community described in Mini case study 10.2.

Smart Insights (Chaffey, 2018) identifies these five different classes of customer research and online feedback tools:

1. **Website feedback tools.** These provide a permanent facility for customers to give feedback using prompts on every page. They are run continuously to enable continuous feedback, including ratings on page content and also products and services. Structured

Mini case study 10.2 — Prudential Singapore gains VoC feedback from its virtual customer community

Financial services company Prudential launched a voice-of-customer community, PRU for You (PFY), in Singapore to enable greater engagement with customers and to give them a voice in developing new products and services. PFY had 4,500 members: 88 per cent were customers and 12 per cent were agents. The community enabled an increase in frequency in depth of research including new product development.

Prudential launched two products resulting from PFY feedback, PRUman and PRUlady, covering illnesses specific to men and women. Customers diagnosed can receive up to a S$100,000 payout, ensuring they get the treatment they need without financial concerns. PFY was instrumental in structuring these products by identifying customer interest in eliminating 'nice-to-have' benefits, leading to more affordable prices for everyone. Community feedback also showed that simplified health questionnaires made it easier for customers to purchase the products.

Source: Vision Critical (2018)

Net Promoter Score (NPS) surveys can also be used regularly to gain a benchmark score comparing promoters against detractors.

2. **Site-user intent-satisfaction surveys.** These tools measure the gap between what the user had hoped to do on the site and what they actually achieved. We give an example in Chapter 7 that covers four questions to assess site effectiveness.
3. **Crowdsourcing voice-of-customer and product-opinion software.** These are broader than web feedback, enabling customers to comment about customer satisfaction and potential new services.
4. **Simple page or concept feedback tools.** A form of crowdsourcing, these tools give feedback from an online panel about page layout, messaging or services. Tools such as UserTesting and UserZoom provide video feedback on site prototypes through representative customers completing common tasks.
5. **General online survey tools.** Freemium tools such as SurveyMonkey™ (**www.surveymonkey.com**) and Crowdsignal™ (**www.crowdsignal.com**) enable companies to survey their audience at a low cost.

Typical questions that can be asked for determining the effectiveness of the website or app experience are:

- *Who is visiting the site?* For example, role in buying decision? Online experience? Access location and speed? Demographics segment?
- *Why are they visiting?* How often do they visit? Which information or service? Did they find it? Actions taken? (Can be determined through web analytics.)
- *What do they think?* Overall opinion? Did they achieve their goal? Key areas of satisfaction? Specific likes or dislikes? What was missing that was expected?

We will now briefly review the strengths and weaknesses of the different marketing research techniques and some approaches to best practice.

Questionnaires and surveys

Malhotra (1999) was one of the first to suggest that internet surveys using questionnaires would increase in popularity since the cost is generally lower, they can be less intrusive and they have the ability to target specific populations. This has proved to be the case, with online surveys being dominant. However, there may be challenges in terms of response rates and it can be more difficult to get a representative sample. Questionnaires often take the form of pop-up surveys. The key issues are:

A. **Encouraging participation.** Techniques that can be used are:
   - interruption on entry – a common approach where every 100th customer is prompted;
   - continuous, for example 'click on a button to complete survey';
   - on registration on-site the customer can be profiled;
   - after an activity such as sale or customer support, the customer can be prompted for their opinion about the service;
   - incentives and promotions (this can also be executed on independent sites);
   - by email (an email prompt to visit a website to fill in a survey or a simple email survey).
B. **Stages in execution.** It is suggested that there are five stages to a successful questionnaire survey:
   1. attract (button, pop-up, email as above);
   2. incentivise (prize or offer consistent with required sample and audience);
   3. reassure (why the company is doing it – to learn, not too long and that confidentiality is protected);
   4. design and execute (brevity, relevance, position);
   5. follow-up (feedback).

C **Design.** Grossnickle and Raskin (2001) suggest the following approach to structuring questionnaires:
- easy, interesting questions first;
- cluster questions on same topic;
- flow topic from general to specific;
- flow topic from easier behavioural to more difficult attitudinal questions;
- easy questions last, e.g. demographics, or any off-putting questions.

Focus groups

Malhotra (1999) noted that the advantage of online focus groups is that they can be used to reach segments that are difficult to access, such as doctors, lawyers and professional people. This author also suggests that costs are lower, they can be arranged more rapidly and can bridge the distance gap when recruiting respondents. Traditional focus groups can be conducted where customers are brought together in a room to assess a website; this will typically occur pre-launch as part of the prototyping activity. Testing can take the form of random use of the site or, more usefully, the users will be given different scenarios to follow. Focus groups tend to be relatively expensive and time consuming, since rather than simply viewing an advertisement, the customers need to actually interact with the website. Conducting real-world focus groups has the benefit that the reactions of site users can be monitored.

Mystery shoppers

Real-world feedback on online experiences is also important to validate customer feedback. It must work in unison with real-world customer service and fulfilment.

Online mystery shopping involves buyers not only commenting on site usability, but also on the service quality of email and phone responses together with product fulfilment.

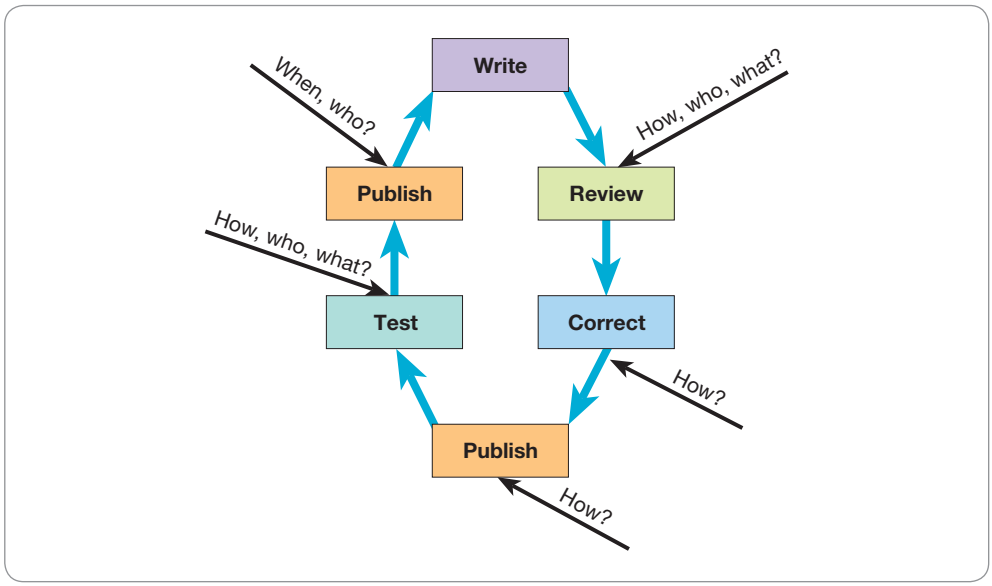
Content management process

As part of the process of continuous improvement in online marketing, it is important to have a clearly defined process for making changes to the online presence of a company. If pages remain static, as is the case with some brochureware sites we still see, then the opportunity to engage customers and prospects with a brand is missed. With search engines and social media sites featuring real-time data posted in blogs, companies that have a static site are missing an opportunity to get better visibility.

The key to keeping a website dynamic is to have a clear content and communications strategy based on a regularly updated content or social hub, as we have seen in previous chapters. The site and content update process should be understood by all staff contributing content to the site, with their responsibilities clearly identified in their job descriptions. To understand the process, consider the main stages involved in publishing a page. A simple model of the work involved in maintenance is shown in Figure 10.10. It is assumed that the needs of the users and design features of the site have already been defined when the site was originally created (as described in Chapter 7). The model only applies to minor updates to copy, or perhaps updating product or company information. The different tasks involved in the maintenance process are as follows:

1 **Write.** This stage involves writing the marketing copy and, if necessary, designing the layout of copy and associated images.
2 **Review.** An independent review of the copy is necessary to check for errors before a document is published. Depending on the size of organisation, review may be necessary by one person or several people covering different aspects of content quality such

Figure 10.10 A web document review and update process



as corporate image, copy-editing text to identify grammatical errors, marketing copy, branding and legality.

3 **Correct.** This stage is straightforward and involves updates necessary as a result of stage 2.
4 **Publish (to test environment).** The publication stage involves putting the corrected copy on a web page that can be checked further. This will be in a test environment that can only be viewed from inside the company.
5 **Test.** Before the completed web page is made available over the World Wide Web a final test will be required for technical issues, such as whether the page loads successfully on different browsers.
6 **Publish (to live environment).** Once the material has been reviewed and tested and is signed off as satisfactory, it will be published to the main website and will be accessible to all customers.

How often should content be updated?

Website content needs to be up to date, in line with customer expectations. The web is perceived as a dynamic medium and customers are likely to expect new information to be posted to a site straightaway. If material is inaccurate or 'stale' then the customer may not return to the site.

After a time, the information on a web page naturally becomes outdated and will need to be updated or replaced. It is important to have both a content calendar for publishing future content and a mechanism defining what triggers this update process and leads to the cycle of Figure 10.10. Trigger procedures should be developed such that when price changes or product specifications are updated in promotional leaflets or catalogues, these changes are also reflected on the website. Without procedures of this type, it is easy for there to be errors on the website. This may sound obvious, but the reality is that the people contributing the updates to the site will have many other tasks to complete, and the website can still be a low priority.

To ensure site content remains 'fresh', i.e. relevant for the audience and effective for the business, it is useful to consider different types of content and their purpose.

As part of content marketing, which requires that existing businesses must act more like publishers, an **editorial calendar** can help agree priorities and schedules for different content types, as discussed previously in Chapter 8.

Editorial calendar
A plan for scheduling the creation of new or updated content for different audiences to support business goals for new visitors or increased conversion as part of content marketing.

Responsibilities for customer experience and site management

Maintenance is relatively easy in a small company with a single person updating the website. Although they may be working on many tasks, one person is able to ensure that the style of the whole site remains consistent. For a large organisation with many different departments and offices in different countries, site maintenance becomes very difficult, and production of a quality site is only possible when there is strong control to establish a team who all follow the same standards. Sterne (2001) suggests that the essence of successful maintenance is to have clearly identified responsibilities for different aspects of updating the website. The questions to ask are:

- Who owns the process?
- Who owns the content?
- Who owns the format?
- Who owns the technology?

We will now consider these in more detail, reviewing the standards required to produce a good-quality website and the different types of responsibilities involved.

Who owns the process?

One of the first areas to be defined should be the overall process for agreeing new site content and updating the site. But who agrees this process? For the large company, it will be necessary to bring together all the interested parties, such as those within the marketing department and the site developers – which may be an external agency or the IT department. The process will specify responsibilities for different aspects of site management and detail the sequence in which tasks occur for updating the site. A typical update process is outlined in Figure 10.10.

Content management systems with workflow capabilities are now commonly used to help achieve review of page updates. Revised copy for a page can be automatically emailed to all reviewers and then the comments received by email can be collated.

To conclude this section, refer to Activity 10.2, which shows a typical website update process and considers possible improvements.

Activity 10.2 Optimising a content review process

Purpose

To assess how quality control and efficiency can be balanced for revisions to web content.

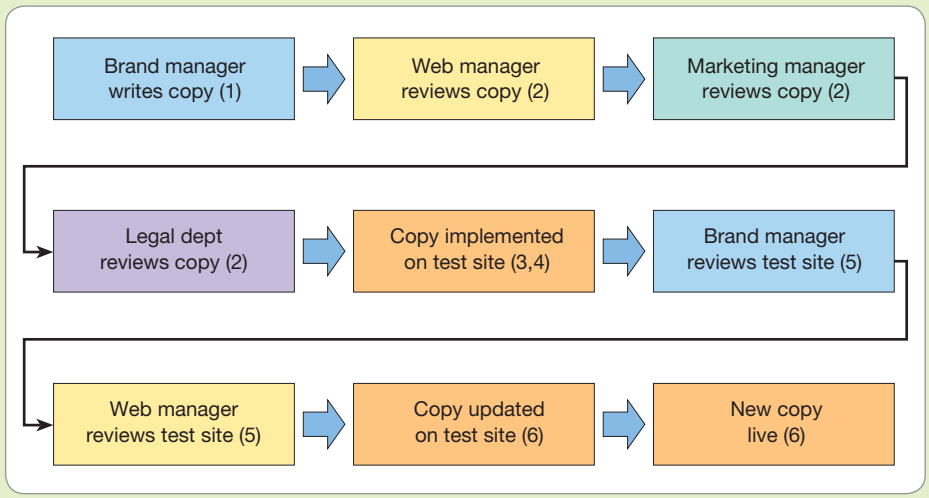
Activity

The extract below and Figure 10.11 illustrate a problem of updating encountered by this company. How can they solve this problem?

Problem description

From the moment the brand manager identifies a need to update copy for the product, the update might happen as follows: brand manager writes the copy (half a day); one day later the web manager reviews the copy. Three days later the marketing manager checks the copy, seven days later the legal department checks the copy, two days later the revised copy is implemented on the test site and two days later the brand manager reviews the test site. The next day the web manager reviews the website, followed by updating and final review, before the copy is added to the live site two days later – and over a fortnight from when a relatively minor change to the site was identified!

Figure 10.11 An example of a content update review process



Who owns the content?

For a medium-to-large site where the content is updated regularly, as it should be, it will soon become impossible for one person to update all the content. It is logical and practical to distribute the responsibility for owning and developing different sections of the site to the people in an organisation who have the best skills and knowledge to develop that content. For example, in a large financial services company, the part of the business responsible for a certain product area should update the copy referring to their products. One person will update the copy for each of savings accounts, mortgages, travel insurance, health insurance and investments. For a PC supplier, different **content developers** will be required for the product information, financing, delivery information and customer service facilities. Once the ownership of content is distributed throughout an organisation, it becomes crucial to develop guidelines and standards that help ensure that the site has a coherent 'feel' and appearance. The nature of these guidelines is described in the sections that follow.

Content developer
A person responsible for updating web pages within part of an organisation.

Who owns the format?

The format refers to different aspects of the design and layout of the site, commonly referred to as its 'look and feel'. The key aim is consistency of messaging and format across the whole website. For a large corporate site, with different staff working on different parts of the site, there is a risk that the different areas of the site will not be consistent. Brand guidelines for large organisations now include web style guidelines about web-safe colour palettes and typography, and tone-of-voice guidelines for writing on the website and in digital communications such as email and social media marketing. Defining a clear format or **site design templates** for the different page or content types means that the quality of the site and customer experience will be better:

Site design template(s)
A standard page layout format that is applied to each page of a website for particular page types, e.g. category pages, product or blog pages. Also known as themes, where they can be purchased at low cost, e.g. for WordPress sites.

- **The site will be easier to use.** A customer who has become familiar with using one area of the site will be able to use another part of the site with confidence.
- **The design elements of the site will be similar.** A user will feel more at home with the site if different parts look similar.
- **The corporate image and branding will be consistent.** It will be both consistent with real-world branding (if this is an objective) and similar across the entire site.

To achieve a site of this quality it is necessary for written standards to be developed. These may include different standards, such as those shown in Table 10.3. The standards adopted will vary according to the size of the website and company. Typically, larger sites, with more individual content developers, will require more detailed standards.

Who owns the technology?

The technology used to publish a website is important if a company is to utilise fully the power of the internet. Many standards, such as those in Table 10.3, need to be managed in addition to the technology, particularly content management systems.

Content management system (CMS)
An online service or software tool for creating, editing and updating online content assets such as text and visual content forming web or mobile app pages.

Content management systems

Content management systems (CMS) refers to when software tools (usually browser-based software running on a server) permit business users to contribute web content, while an administrator keeps control of the format and style of the website and the approval process.

Table 10.3 Website standards

Standard	Details	Applies to
Site structure	Will specify the main areas of the site, for example products, customer service, press releases, how to place content and who is responsible for each area	Content developers
Navigation	May specify, for instance, that the main menu must always be on the left of the screen, with nested sub-menus at the foot of the screen. The home button should be accessible from every screen at the top-left corner of the screen. See Lynch and Horton (1999) for guidelines on navigation and site design	Website designer/webmaster usually achieves these through site templates
Copy tone-of-voice and page structure	General guidelines, for example reminding those writing copy that web copy needs to be briefer than its paper equivalent, and ranking factors for SEO (Chapter 9). Brand tone-of-voice guidance is essential when many people are updating content, to ensure consistency. MailChimp™ has published its tone-of-voice guidance for different channels (**www.mailchimp.com**). Where detail is required, perhaps with product specifications, it should be broken up into chunks that are digestible on-screen. Copy and page structure should also be written for search engine optimisation for keyphrases (Chapter 8)	Individual content developers
Testing standards	Check site functions for: • different browser types and versions • plug-ins • invalid links • speed of download of graphics • spellchecking each page	Website designer/webmaster
Brand identity	Specifies the appearance of company logos and the colours and typefaces used to convey the brand message design	Website designer/webmaster and graphic design
Process	Web page or updating an existing page: who is responsible for reviewing and updating?	Anyone or all
Performance	Availability and download-speed figures	Staff managing the server

These tools are used to organise, manage, retrieve and archive information content throughout the life of the site.

CMSs provide these facilities:

- **Page creation and editing:** an interface for adding and editing page content.
- **Information architechture:** the design and maintenance of content structure (sub-components, templates, etc.), web page structure and website structure.
- **Link management:** the maintenance of internal and external links through content change and the elimination of dead links.
- **Search engine visibility:** modification of page metadata (described at the start of Chapter 9) so that relevant titles and content snippets are served in search engines.
- **Input and syndication:** the loading (spidering) of externally originated content and the aggregation and dissemination of content from a variety of sources.
- **Versioning:** controlling which edition of a page, page element or the whole site is published. Typically this will be the most recent, but previous editions should be archived and it should be possible to roll back to a previous version at the page, page element or site level.
- **Security and access control:** different permissions can be assigned to different roles of users and some content may only be available through log-in details. In these cases, the CMS maintains a list of users. This facility is useful when a company needs to use the same CMS for an intranet, extranet or public internet site that may have different levels of permission.
- **Publication workflow:** content destined for a website needs to pass through a publication process to move it from the management environment to the live delivery environment. The process may involve tasks such as format conversion (e.g. to PDF), rendering to HTML, editorial authorisation and the construction of composite documents in real time (personalisation and selective dissemination).
- **Tracking and monitoring:** providing logs and statistical analysis of use to provide performance measures, tune the content according to demand and protect against misuse.

From this list of features you can see that modern CMSs are complex and many CMSs are expensive investments. Some open-source CMSs are available, without the need to purchase a licence fee, which have many of the features explained in this section. The most popular open-source CMSs are WordPress™, Drupal™ and Django™. While these originated mainly for blogging, they can now be used to create more complex sites. For e-commerce sites, Magento™ is the most widely used open-source system.

To conclude this chapter, and the text, review Case study 10, which explores the success factors for the largest e-commerce platform, which are based on a structured approach to reviewing and improving performance using relevant measures.

Case study 10 Learning from Amazon's culture of metrics

Context

Why a case study on Amazon? Surely everyone knows about Amazon and what it does? Yes, well, that's maybe true, but this case goes under the surface to review some of the 'insider secrets' of Amazon's early success and its focus on customers, measurement and improvement that remain in place today even though its original founder is no longer in place.

Amazon.com was launched in 1995. The name reflected the vision of founder and CEO Jeff Bezos, to produce a large-scale phenomenon like the Amazon river. This ambition proved justified since, just eight years later, Amazon passed the $5 billion sales mark – it took Walmart 20 years to achieve this. In 2020 turnover exceeded $21 billion excluding third-party seller profits via the Amazon Marketplace, which were

estimated at $25 billion. In the final letter to shareholders from Jeff Bezos (Amazon, 2021) before Andy Jassy became CEO, he summarises the scale and impact of Amazon, emphasising not the turnover but services launched and how they directly affect many people's lives:

> Amazon directly employs 1.3 million people around the world. We have more than 200 million Prime members worldwide. More than 1.9 million small and medium-sized businesses sell in our store, and they make up close to 60% of our retail sales. Customers have connected more than 100 million smart home devices to Alexa. Amazon Web Services serves millions of customers and ended 2020 with a $50 billion annualized run rate.

Vision, value proposition and strategy

When it first launched, Amazon had a clear and ambitious mission:

> We seek to be Earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators.

In 2021, Bezos summarised Amazon's consumer offer as 'low prices, vast selection, and fast delivery'. He also stresses the value of convenience, which has led to loyalty. He notes that customers complete 28 per cent of purchases on Amazon in three minutes or less, and half of all purchases are finished in less than 15 minutes. He contrasts that to the typical shopping trip to a physical store – driving, parking, searching store aisles, waiting in the checkout line, finding your car and driving home. This measure of purchase efficiency is clearly a hurdle-rate measure that Amazon uses and looks to improve upon.

Today, with business users of its Amazon Web Services representing a new type of customer, Amazon says:

> this goal continues today, but Amazon's customers are worldwide now and have grown to include millions of Consumers, Sellers, Content Creators, Developers, and Enterprises. Each of these groups has different needs, and we always work to meet those needs, by innovating new solutions to make things easier, faster, better, and more cost-effective.

This focus on the customer has been there from the start: the 1997 SEC filing said Amazon would 'obsess over the customer'. Success here is shown by consistently high ratings at the American Customer Satisfaction Index (**www.theacsi.org**). In the 2017 Annual Report, Jeff Bezos explains what he calls 'True Customer Obsession' (Amazon, 2017):

> There are many ways to center a business. You can be competitor focused, you can be product focused, you can be technology focused, you can be business model focused, and there are more. But in my view, obsessive customer focus is by far the most important. Even when they don't yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.

In each SEC (Securities and Exchange Commission) filing, Amazon explains how it uses an analytical approach to improve satisfaction and business performance by reiterating a comment in a letter to shareholders from Jeff Bezos when Amazon first became a publicly quoted company:

> We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.

More recently, this approach has been applied to a range of business model innovations focused on hardware and new services: Kindle e-reader, Fire tablet, smartphone and TV, Echo (using the Alexa artificial intelligence voice assistant), grocery delivery, Amazon Fashion and expansion to the business-oriented Amazon Web Services (AWS). Amazon Prime is the annual membership programme that includes unlimited free shipping and then involved diversification to a media service with access to unlimited instant streaming of thousands of movies and TV episodes.

A recent example of innovation in its business model is the launch of Amazon Go™ (**www.amazon.com/go**), a new kind of store with no checkout required, which it is trialling in different countries starting from a trial in Seattle. Boasting a 'Just Walk Out Shopping Experience', the Amazon Go app users enter the store, take the products they want and go, with no lines and no checkout.

Yet Bezos acknowledges that failure will inevitably happen with innovation. In an interview with *Business Insider* (Blodget, 2014) he says:

> I've made billions of dollars of failures at **Amazon.com**. Literally billions of dollars of failures. You might remember **Pets.com** or **Kosmo.com**. It was like getting a root canal with no anaesthesia. None of those things are fun. But they also don't matter.

Of course, achieving customer loyalty and repeat purchases has been key to Amazon's success. Many **dot.coms** failed because they succeeded in achieving awareness,

but not loyalty. Amazon achieved both. In its SEC filing the company stresses how it seeks to achieve this:

> We work to earn repeat purchases by providing easy-to-use functionality, fast and reliable fulfilment, timely customer service, feature-rich content, and a trusted transaction environment. Key features of our websites include editorial and customer reviews; manufacturer product information; web pages tailored to individual preferences, such as recommendations and notifications; 1-Click® technology; secure payment systems; image uploads; searching on our websites as well as the Internet; browsing; and the ability to view selected interior pages and citations, and search the entire contents of many of the books we offer with our 'Look Inside the Book' and 'Search Inside the Book' features. Our community of online customers also creates feature-rich content, including product reviews, online recommendation lists, wish lists, buying guides, and wedding and baby registries.

In fact, as is the practice for many online retailers, the lowest prices are for the most popular products, with less-popular products commanding higher prices and a greater margin for Amazon. Free shipping offers are used to encourage increase in basket size since customers have to spend over a certain amount to receive free shipping. The level at which free shipping is set is critical to profitability and Amazon has changed it as competition has changed, and for promotional reasons.

Amazon communicates the fulfilment promise in several ways, including presentation of latest inventory availability information, delivery date estimates and options for expedited delivery, as well as delivery shipment notifications and update facilities.

Competition

In its latest SEC filing Amazon describes the environment for its products and services as 'intensely competitive'. It views its main current and potential competitors as:

> (1) online, offline, and multichannel retailers, publishers, vendors, distributors, manufacturers, and producers of the products we offer and sell to consumers and businesses; (2) publishers, producers, and distributors of physical, digital, and interactive media of all types and all distribution channels; (3) web search engines, comparison shopping websites, social networks, web portals, and other online and app-based means of discovering, using, or acquiring goods and services, either directly or in collaboration with other retailers; (4) companies that provide e-commerce services, including website development, advertising, fulfillment, customer service, and payment processing; (5) companies that provide fulfillment and logistics services for themselves or for third parties, whether online or offline; (6) companies that provide information technology services or products, including on premises or cloud-based infrastructure and other services; and (7) companies that design, manufacture, market, or sell consumer electronics, telecommunication, and electronic devices.

Amazon believes the main competitive factors in its market segments include:

> selection, price, availability, convenience, information, discovery, brand recognition, personalised services, accessibility, customer service, reliability, speed of fulfillment, ease of use, and ability to adapt to changing conditions, as well as our customers' overall experience and trust in transactions with us and facilitated by us on behalf of third-party sellers.

For services offered to business and individual sellers, additional competitive factors include the quality of services and tools, the ability to generate sales for third parties the company serves and the speed of performance for its services.

Marketing

Amazon does not reveal much about its marketing approach in its annual reports, but there seems to be a focus on online marketing channels. The Amazon 2011 SEC filing states: 'we direct customers to our websites primarily through a number of targeted online marketing channels, such as our Associates program, sponsored search, portal advertising, email marketing campaigns, and other initiatives'. These 'other initiatives' may include outdoor and TV advertising, but they are not mentioned specifically. In this statement Amazon also highlights the importance of customer-loyalty tools. It says: 'while costs associated with free shipping are not included in marketing expense, we view free shipping offers and Amazon Prime as effective worldwide marketing tools, and intend to continue offering them indefinitely'.

How Amazon's 'culture of metrics' started

A common theme in Amazon's development is the drive to use a measured approach to all aspects of the business, beyond the finance. Marcus (2004) describes an occasion at a corporate 'boot-camp' in January 1997 when Amazon CEO Jeff Bezos 'saw the light'. 'At Amazon, we will have a Culture of Metrics', he said while addressing his senior staff. He went on to explain how web-based business gave Amazon an 'amazing window into human behaviour'. Marcus says:

> Gone were the fuzzy approximations of focus groups, the anecdotal fudging and smoke blowing from the marketing department. A company like Amazon could

> (and did) record every move a visitor made, every last click and twitch of the mouse. As the data piled up into virtual heaps, hummocks and mountain ranges, you could draw all sorts of conclusions about their chimerical nature, the consumer. In this sense, Amazon was not merely a store, but an immense repository of facts. All we needed were the right equations to plug into them.

Marcus then goes on to give a fascinating insight into a breakout group discussion of how Amazon could better use measures to improve its performance. Marcus was in the Bezos group, brainstorming customer-centric metrics. Marcus (2004) summarises the dialogue, led by Bezos:

> 'First, we figure out which things we'd like to measure on the site', he said. 'For example, let's say we want a metric for customer enjoyment. How could we calculate that?'
>
> There was silence. Then somebody ventured: 'How much time each customer spends on the site?'
>
> 'Not specific enough', Jeff said.
>
> 'How about the average number of minutes each customer spends on the site per session', someone else suggested. 'If that goes up, they're having a blast.'
>
> 'But how do we factor in purchase?' I [Marcus] said, feeling proud of myself. 'Is that a measure of enjoyment?'
>
> 'I think we need to consider frequency of visits, too', said a dark-haired woman I didn't recognise. 'Lot of folks are still accessing the web with those creepy-crawly modems. Four short visits from them might be just as good as one visit from a guy with a T-1. Maybe better.'
>
> 'Good point', Jeff said. 'And anyway, enjoyment is just the start. In the end, we should be measuring customer ecstasy.'

It is interesting that Amazon was having this debate about the elements of RFM analysis (described in Chapter 6) in 1997, after already having achieved $16 million of revenue in the previous year. Of course, this is a minuscule amount compared with today's billions of dollars turnover. The important point was that this was the start of a focus on metrics, which can be seen through the description of Matt Round's work later in this case study.

Applying machine learning and artificial intelligence

Some of the applications of AI at Amazon are highly visible – for example, the Amazon Echo assistant and technology in the Amazon Go convenience store that uses machine vision to eliminate checkout lines. In an SEC filing for Amazon (2018), the increased use of machine learning and AI 'behind the scenes' at Amazon is described:

> much of what we do with machine learning happens beneath the surface. Machine learning drives our algorithms for demand forecasting, product search ranking, product and deals recommendations, merchandising placements, fraud detection, translations, and much more. Though less visible, much of the impact of machine learning will be of this type – quietly but meaningfully improving core operations.

A range of Amazon's tools for personalisation and other applications are now available to Amazon's business AWS customers (**https://aws.amazon.com/machine-learning/**) and training in AI and machine learning is available online to all.

From human to software-based recommendations

Amazon has developed internal tools to support this 'culture of metrics'. Marcus (2004) describes how the 'Creator Metrics' tool shows content creators how well their product listings and product copy are working. For each content editor, such as Marcus, it retrieves all recently posted documents including articles, interviews, booklists and features. For each one it then gives a conversion rate to sale plus the number of page views, adds (added to basket) and repels (content requested, but the back button then used). In time, the work of editorial reviewers, such as Marcus, was marginalised since Amazon found that the majority of visitors used the search tools rather than read editorial and they responded to the personalised recommendations as the matching technology improved (Marcus likens early recommendations techniques to 'going shopping with the village idiot').

Experimentation and testing at Amazon

The 'culture of metrics' also led to a test-driven approach to improving results at Amazon. Matt Round, speaking at E-metrics 2004 when he was Director of Personalisation at Amazon, describes the philosophy as 'data trumps intuition'. He explained how Amazon used to have a lot of arguments about which content and promotion should go on the all-important home page or category pages. He described how every category VP wanted top-centre and how the Friday meetings about placements for next week were getting 'too long, too loud and lacked performance data'.

But today 'automation replaces intuition' and real-time experimentation tests are always run to answer these questions, since actual consumer behaviour is the best way to decide upon tactics.

Marcus (2004) also notes that Amazon has a culture of experiments of which AB tests are key components. Examples where AB tests are used include new home page design, moving features around the page, different algorithms for recommendations and changing search relevance rankings. These involve testing a new treatment against a previous control for a limited time of a few days or a week. The system will randomly show one or more treatments to visitors and measure a range of parameters such as units sold and revenue by category (and total), session time and session length. The new features will usually be launched if the desired metrics are statistically significantly better. Statistical tests are a challenge though, as distributions are not normal (they have a large mass at zero, for example, of no purchase). There are other challenges, since multiple AB tests are running every day and AB tests may overlap and so conflict. There are also longer-term effects where some features are 'cool' for the first two weeks, and the opposite effect where changing navigation may degrade performance temporarily. Amazon also finds that as its users evolve in their online experience, the way they act online has changed. This means that Amazon has to constantly test and evolve its features.

Technology

It follows that the Amazon technology infrastructure must readily support this culture of experimentation and this can be difficult to achieve with standardised content management. Amazon has achieved its competitive advantage through developing its technology internally and with a significant investment in this to improve the customer experience and conversion rates, which may not be available to other organisations without the right focus on the online channels.

As Amazon explains in SEC (2005):

> using primarily our own proprietary technologies, as well as technology licensed from third parties, we have implemented numerous features and functionality that simplify and improve the customer shopping experience, enable third parties to sell on our platform, and facilitate our fulfillment and customer service operations. Our current strategy is to focus our development efforts on continuous innovation by creating and enhancing the specialised, proprietary software that is unique to our business, and to license or acquire commercially-developed technology for other applications where available and appropriate. We continually invest in several areas of technology, including our seller platform **A9.com**, our wholly-owned subsidiary focussed on search technology on **www.A9.com** and other Amazon sites; web services; and digital initiatives.

Round (2004) describes the technology approach as 'distributed development and deployment'. Pages such as the home page have a number of content 'pods' or 'slots' that call web services for features. This makes it relatively easy to change the content in these pods and even change the location of the pods on screen. Amazon uses a flowable or fluid page design, unlike many sites, which enables it to make the most of real-estate on screen.

Technology also supports more standard e-retail facilities. SEC (2005) states:

> We use a set of applications for accepting and validating customer orders, placing and tracking orders with suppliers, managing and assigning inventory to customer orders, and ensuring proper shipment of products to customers. Our transaction-processing systems handle millions of items, a number of different status inquiries, multiple shipping addresses, gift-wrapping requests and multiple shipment methods. These systems allow the customer to choose whether to receive single or several shipments based on availability and to track the progress of each order. These applications also manage the process of accepting, authorising and charging customer credit cards.

Data-driven automation

Round (2004) said that 'data is king at Amazon'. He gave many examples of data-driven automation, including customer channel preferences, managing the way content is displayed to different user types, such as new releases and top sellers, merchandising and recommendation (showing related products and promotions) and also advertising through paid search (automatic ad generation and bidding).

The automated search advertising and bidding system for paid search has had a big impact at Amazon. Sponsored links were initially done by humans, but this was unsustainable due to the range of products at Amazon. The automated program generates keywords, writes ad creative, determines best landing page, manages bids, measures conversion rates and profit per converted visitor and updates bids. Again, the problem of volume is there: Matt Round described how the book *How to Make Love Like a Porn Star* by Jenna Jameson received tens of thousands of clicks from pornography-related searches, but few actually purchased the book. So the update cycle must be quick in order to avoid large losses.

There is also an automated email measurement and optimisation system. The campaign calendar used to be

manually managed with relatively weak measurement and it was costly to schedule and use. The new system:

- automatically optimises content to improve customer experience;
- avoids sending an email campaign that has low click-through or a high unsubscribe rate;
- includes inbox management (avoids sending multiple emails/week);
- has a growing library of automated email programs covering new releases and recommendations.

But there are challenges if promotions are too successful and inventory isn't available.

'Customers Who Bought X . . . also bought Y' is Amazon's signature customer experience feature. Round (2004) describes how Amazon relies on acquiring and then crunching a massive amount of data. Every purchase, every page viewed and every search is recorded.

He also describes the challenge of techniques for sifting patterns from noise (sensitivity filtering), and clothing and toy catalogues change frequently so recommendations become out of date. The main challenge, though, is the massive data size arising from millions of customers, millions of items and recommendations made in real time.

Amazon Marketplace enables Amazon customers and other retailers to sell their new and used books and other goods alongside the regular retail listings. A similar partnership approach is the Amazon 'Merchants' programme, which enables third-party merchants (typically larger than those that sell via the Amazon Marketplace) to sell their products via Amazon. Amazon earns money either through fixed fees or sales commissions per unit. This arrangement can help customers, who get a wider choice of products from a range of suppliers with the convenience of purchasing them through a single checkout process.

Finally, Amazon has also facilitated formation of partnerships with smaller companies through its affiliates programme. Internet legend records that Jeff Bezos, the creator of Amazon, was chatting to someone at a cocktail party who wanted to sell books about divorce via her website. Subsequently, **Amazon.com** launched its Associates Program in July 1996 and it is still used, but likely less important due to Amazon's brand awareness. Amazon does not use an affiliate network (explained in Chapter 9), which would take commissions from sale, but thanks to the strength of its brand has developed its own affiliate programme. Amazon has created tiered performance-based incentives to encourage affiliates to sell more Amazon products. The Associates Program directs customers to Amazon websites by enabling independent websites to make millions of products available to their audiences, with fulfilment performed by Amazon or third parties. Amazon pays commission to hundreds of thousands of participants in the Associates Program when their customer referrals result in product sales.

Marketing communications

In its SEC filings Amazon states that the aims of its communications strategy are (unsurprisingly) to:

- Increase customer traffic to its websites.
- Create awareness of its products and services.
- Promote repeat purchases.
- Develop incremental product and service revenue opportunities.
- Strengthen and broaden the **Amazon.com** brand name.

Amazon also believes that its most effective marketing communications are a consequence of its focus on continuously improving the customer experience. This then creates word-of-mouth promotion, which is effective in acquiring new customers and may also encourage repeat customer visits.

As well as this, Marcus (2004) describes how Amazon used the personalisation enabled through technology to reach out to a difficult-to-reach market that Bezos originally called 'the hard middle'. Bezos's view was that it was easy to reach ten people (you called them on the phone) or the 10 million people who bought the most popular products (you placed a Super Bowl ad), but more difficult to reach those in-between. The search facilities in the search engine and on the Amazon site, together with its product recommendation features, meant that Amazon could connect its products with the interests of these 'middle' people.

Amazon's online advertising techniques include paid search marketing, interactive ads on portals, email campaigns and search engine optimisation. These are automated as far as possible, as described earlier in the case study. As previously mentioned, the affiliate programme is also important in driving visitors to Amazon, and Amazon offers a wide range of methods of linking to its site to help improve conversion. For example, affiliates can use straight text links leading direct to a product page and Amazon also offers a range of dynamic banners that feature different content, such as books about internet marketing or a search box.

Amazon also uses cooperative advertising arrangements, better known as 'contra-deals', with some vendors and other third parties. For example, a print advertisement in 2005 for a particular product such as a wireless router with a free wireless laptop card promotion was to feature a specific Amazon URL in the ad. In product fulfilment packs, Amazon may include a leaflet

for a non-competing online company such as **Figleaves.com** (lingerie) or Expedia (travel). In return, Amazon leaflets may be included in customer communications from the partner brands.

With its success in many countries and its use of accounting practices to minimise tax payments, Amazon has faced criticism, competition enquiries and in some countries is subject (alongside other e-commerce providers) to e-commerce-specific taxation. To counter such perceptions, in its most recent SEC filing Amazon seeks to position its reputation more positively by emphasising different forms of value generation beyond shareholder value, which it estimates as totalling $301 billion in 2020, broken down as shareholders $21 billion, employees $91 billion, third-party marketplace sellers $25 billion and customers $164 billion.

Questions

1. By referring to the case study, Amazon's website for your country and your experience of Amazon's offline communications, evaluate how well Amazon communicates its core proposition and promotional offers.
2. Using the case study, characterise Amazon's approach to marketing communications.
3. Explain what distinguishes Amazon in its use of technology for competitive advantage.
4. How does the Amazon 'culture of metrics' differ from that in other organisations, from your experience?

Summary

1. A structured measurement and improvement programme is necessary to collect measures to assess and improve digital marketing effectiveness. Action can then be taken to adjust the website strategy or promotional efforts. A measurement programme involves:
   - creating a performance management process;
   - defining the performance metrics framework;
   - tools and techniques for collecting insight, running processes and summarising results.
2. Measures of digital marketing effectiveness can be categorised as assessing:
   - **Level 1: Business effectiveness.** These measure the impact of the website on the whole business, and look at financial measures such as revenue and profit and promotion of corporate awareness.
   - **Level 2: Marketing effectiveness.** These measure the number of leads and sales achieved via the internet and the effect of the internet on retention rates and other aspects of the marketing mix such as branding.
   - **Level 3: Digital marketing effectiveness.** These measures assess how well the site is being promoted, and do so by reviewing the popularity of the site and how good it is at delivering customer needs.
3. The measures of effectiveness referred to above are collected in two main ways – online and offline – or in combination.
4. Online measures are SaaS-based services such as Google Analytics or Adobe Analytics. They indicate the number of visitors to a site, which pages they visit and where they originated from. Due to the multitude of reports and measures in analytics systems it's important to create dashboards customised to the goals of a business and to consider the questions that should be answered through analysis.
5. Marketing research of customer perceptions including voice-of-customer research should be used to supplement digital analytics and combines surveying customers using traditional market research methods such as questionnaires, interviews and focus groups with their online equivalents and customer panels.
6. Managing website content requires clear responsibilities to be identified for different roles. These include the roles of content owner and site developer, and those ensuring that the content conforms with company and legal requirements.

7 To produce a good-quality website, standards are required to enforce uniformity in terms of:
- site 'look and feel';
- brand identity and tone-of-voice;
- quality of content.

Exercises

Self-assessment exercises

1 Why are standards necessary for controlling website management? What aspects of the site do such standards seek to control?
2 Explain the difference between hits and page impressions. How are these measured?
3 How should social media marketing effectiveness be assessed?
4 Why should content development be distributed through a large organisation?
5 Describe the different types of measures that should be used to review and improve digital marketing.
6 What are the main reports in Google Analytics that can be used regularly to report on digital marketing effectiveness?
7 Explain the principles of effectiveness AB testing.
8 Why is it useful to integrate the collection of online and offline metrics?

Exam and discussion questions

1 Why are standards necessary to control the process of updating a website? Give three examples of different aspects of a website that need to be controlled.
2 Explain the following terms concerning measurement of website effectiveness:
   a unique visitors;
   b page impressions;
   c referring pages.
3 Measurement of websites concerns the recording of key events involving customers using a website. Briefly explain five different types of events.
4 Describe and briefly explain the purpose of the different stages involved in updating an existing document on a commercial website.
5 Outline different types of measures for reviewing the effectiveness of social media marketing.
6 Discuss the steps managers in businesses can take to ensure that the insight available from different marketing platforms is actionable.
7 You have been appointed manager of a website and have been asked to develop a metrics programme. Briefly explain the steps you would take to develop this programme.
8 Businesses need customer insight to monitor and improve their marketing effectiveness, but customers want their privacy to be respected by limiting insights available. How can businesses resolve this dilemma?

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Weblinks

A directory of recommended website links, including recommended videos, analysis tools and sources for statistics, is maintained by Dave Chaffey at **www.davechaffey.com/book-support**. The sites for this chapter cover tools and learning guidance for digital analytics and online market research.

Glossary

AB testing AB or A/B testing refers to testing two different versions of a page or a page element such as a heading, image or button for effectiveness. The alternatives are served alternately, with the visitors to the page randomly split between the two pages. Changes in visitor behaviour can then be compared using different metrics such as click-through rate on page elements such as buttons or images, or macro-conversion rates, such as conversion to sale or sign-up.

Above the fold A term, derived from printed media, that is used to indicate whether a banner advertisement or other content is displayed on a web page without the need to scroll. This is likely to give higher click-through, but note that the location of the 'fold' within the web browser is dependent on the screen resolution of a user's personal computer.

Accelerated Mobile Pages (AMPs) A standard to increase page download speed on mobile devices, the AMP framework consists of three components: AMP HTML, which is a standard HTML with web components; AMP JavaScript, which manages resource loading; and AMP caches, which can serve and validate AMP pages.

Access platform A method for customers to access digital media.

Accessibility An approach to site, app and digital platform design intended to accommodate usage particularly required by the visually impaired and visitors with other disabilities including motor control, learning difficulties and deafness. Users whose first language is not English can also be assisted. The aim is to deliver a satisfactory experience for all users accessing digital content using different digital platforms, including operating systems, devices and browsers with relevant settings.

Accessibility legislation Legislation intended to protect website users with disabilities, including visual impairments.

Account-based marketing (ABM) The process B2B marketers use to communicate with buyers and users of services within target businesses within a market to generate new accounts and grow penetration into existing accounts.

Acquisition *See* **Customer acquisition**.

Activation A prospect or customer takes the first step in actively using an online service after initial registration or purchase.

Ad creative The design and content of an ad.

Ad impression Similar in concept to a page impression; describes one viewing of an advertisement by a single member of its audience. The same as ad view, a term that is less commonly used.

Ad inventory The total number of ad impressions that a website can sell over time (usually specified per month).

Ad network *See* **Advertising networks**.

Ad retargeting Ads are served to people who have previously interacted with a brand, for example through visiting a website, social media profile or searching. In Google, retargeting is known as remarketing.

Ad serving The term for displaying an advertisement on a website. Often the advertisement will be served from a web server different from the site on which it is placed.

Ad space The area of a web page that is set aside for banner advertising.

Adaptive mobile web design Generally a more sophisticated approach than responsive web design, which involves delivering an experience optimised for targeted handsets and splits the code and processing to render on different devices between the client and the server.

Advertisement Advertisements on websites are usually banner advertisements positioned as a masthead on the page.

Advertising networks Provide an opportunity for businesses to advertise via a collection of media sites (typically publishers) using a central broker who coordinates ad serving, tracking and payment for ads.

Affiliate marketing A commission-based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers or other transactional sites). Commission is usually based on a percentage of product sale price or a fixed amount for each sale (CPA, or cost-per-acquisition), but may also

sometimes be based on a per-click basis, for example when an aggregator refers visits to merchants.

Affiliate network Third-party brokers, also known as affiliate managers, that manage recruitment of affiliates and infrastructure to manage a merchant's affiliate programme in the form of links, tracking and payment of a range of affiliates.

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

Agents Software programs that can assist people to perform tasks such as finding particular information such as the best price for a product.

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

Agile software development An iterative approach to developing software and website functionality with the emphasis on face-to-face communications to elicit, define and test requirements. Each iteration is effectively a mini-software project including stages of planning, requirements analysis, design, coding, testing and documentation.

Allowable cost-per-acquisition A target maximum cost for generating leads or new customers profitably.

Alt tags Alt tags appear after an image tag and contain a phrase associated with that image. For example: <img src="logo.gif" alt="Company name, company products"/>.

Always-on (or continuous) communications Continuous investment in paid, owned and earned digital media to engage prospects and customers and meet purchase intent as they research products through search, social media and publisher sites.

Always-on lifecycle marketing A planned approach to scheduling and optimising continuous marketing activities that support customer acquisition and retention.

Anchor text (also known as link anchor text) The (usually) clickable text element representing a hyperlink. Or, more prosaically, the body copy that is hyperlinked.

Application programming interfaces (API) Method of exchanging data between systems such as website services. For example, when Twitter Cards are used to show embedded quotes on a website, these are transferred using an API.

Artificial intelligence Software and services that perform tasks previously requiring human analysis and interaction. Marketing applications of AI typically aim to improve business-to-customer communications including targeting media, personalised messaging and customer service interactions.

Atomisation Atomisation in a Web 2.0 context refers to a concept where the content on a site is broken down into smaller fundamental units that can then be distributed via the web through links to other sites. Examples of atomisation include the stories and pages in individual feeds being syndicated to third-party sites and widgets.

Attrition rate Percentage of site visitors lost at each stage in making a purchase.

Audit (external) Consideration of the business and economic environment in which the company operates. This includes the economic, political, legal, social and technological factors (usually referred to by the acronym STEP or SLEPT).

Audit (internal) A review of website effectiveness.

Auditors *See* **website auditors**.

Augmented reality (AR) In contrast to VR, augmented reality supports and enhances real-world interactions. For example, retailers can enable consumers to try on new clothing or glasses using AR devices.

Authentication *See* **Security methods**.

Autoresponders Software tool or 'agent' running on a web server that automatically sends a standard reply to the sender of an email message.

Availability *See* **Security methods; Site availability**.

Avatar A term used in computer-mediated environments to mean a 'virtual person'. Derived from the word's original meaning: '*n.* the descendant of a Hindu deity in a visible form; incarnation; supreme glorification of any principle'.

Average order value (AOV) The average amount spent for a single checkout purchase on a retail site for a particular customer group, e.g. first-time purchasers.

Backbones High-speed communication links used to enable internet communications across a country and internationally.

Backlink Hyperlink that links to a particular web page (or website), typically used to refer to linking from another site. Also known as an inbound link.

Balanced scorecard A framework for setting and monitoring business performance. Metrics are structured according to customer issues, internal efficiency measures, financial measures and innovation.

Bandwidth Indicates the speed at which data are transferred using a particular network medium. It is measured in bits per second (bps).

Banner advertisement A typically rectangular graphic displayed on a web page for purposes of brand building or driving traffic to a site. It is normally possible to perform a click-through to access further information from another website. Banners may be static or animated.

Behavioural ad targeting Enables an advertiser to target ads at a visitor as they engage with other forms of digital media, such as publisher sites, mobile apps or other sites on an ad network, to encourage them to purchase or engage with a brand.

Behavioural loyalty Loyalty to a brand is demonstrated by repeat sales and response to marketing campaigns.

Bid A commitment by a trader to purchase under certain conditions.

Bid adjustments An approach introduced by Google in 2013 as 'enhanced campaigns', but later renamed to simplify the management of ads displayed in different locations, different day parts (times of day) and different devices.

Biddable media Businesses have to bid against other businesses in auctions to achieve visibility for their adverts – for example, when using pay-per-click advertising or programmatic advertising.

Big Data for marketing 'Big Data' refers to applications to gain value from the increasing volume, velocity and variety of data integrated from different sources. These enhance insight to deliver more relevant communications through techniques such as marketing automation and social CRM.

Blockchain technology A distributed ledger comprising batches of encrypted transaction records called blocks, which can be secured over a peer-to-peer network such as the internet. The system is secure and transaction history can't be modified to provide an audit trail.

Blog Personal online diary, journal or news source regularly updated by one person, an internal team or external guest authors. Postings are usually in different categories. Typically comments can be added to each blog posting to help create interactivity and feedback.

Blueprint Shows the relationships between pages and other content components, and can be used to portray organisation, navigation and labelling systems.

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

Bounce rate Proportion of visitors to a page or site who exit after visiting a single page only, usually expressed as a percentage.

Brand The sum of the characteristics of a product or service perceived by a user.

Brand advocate A customer who has favourable perceptions of a brand who will talk favourably about a brand to their acquaintances to help generate awareness of the brand or influence purchase intent.

Brand-building campaigns Campaign focus is on building brand awareness, brand consideration and brand preference. Typically longer-term campaigns.

Brand equity The brand assets (or liabilities) linked to a brand's name and symbol that add to (or subtract from) a service.

Brand experience The frequency and depth of interactions with a brand can be enhanced through the internet.

Brand identity The totality of brand associations including name and symbols that must be communicated.

Branding The process by which companies distinguish their product offerings from the competition by the sum of the characteristics of the product or service as perceived by the customer.

Brand-response campaigns Campaign focus is on brand-building, blending direct response components to encourage opt-in, trial, consultation or purchase.

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

Browser *See* **Web browser**.

Bundling Bundling combines several product or service options into a package of services, typically at a discounted price.

Business model A summary of how a company will generate revenue, identifying its product offering, value-added services, revenue sources and target customers.

Business-to-business (B2B) Commercial transactions between an organisation and other organisations (inter-organisational marketing).

Business-to-business exchanges or marketplaces Virtual intermediaries with facilities to enable trading between buyers and sellers.

Business-to-consumer (B2C) Commercial transactions between an organisation and consumers.

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

Call-back service A facility available on the website for a company to contact a customer at a later time as specified by the customer.

Call centre A location for inbound and outbound telemarketing.

Campaign big idea The overarching message or 'hook' that engages the audience and underpins all elements of a campaign in order to resonate with the target audience. The big idea should ideally be rooted in insight and linked to the campaign's objectives to ensure it has maximum impact and relevance.

Campaign URL (CURL) A web address specific to a particular campaign.

Campaign-based digital communications Digital communications that are executed to support a specific marketing campaign such as a product launch, price promotion or website launch.

Capabilities Capabilities are intangible and are developed from the combined and coordinated behaviour and activities of an organisation's employees, and therefore embedded in the organisation and processes. The definition of a capability is an organisation's ability to 'perform a set of coordinated tasks, utilising organisational resources, for the purposes of achieving a particular end result'.

Card sorting or web classification The process of arranging a way of organising objects on the website in a consistent manner.

Cascading style sheets (CSS) A mechanism for adding style (e.g. fonts, backgrounds, colours, spacing) to web documents, which is independent of the content. CSS enable different style elements to be controlled across an entire site or sections of a site. Style elements that are commonly controlled include typography, background colour and images, and borders and margins. Responsive website design (RWD) for desktop and mobile can also be supported.

Catalogue Catalogues (also known as directories) provide a structured listing of registered websites in different categories. They are similar to an electronic version of *Yellow Pages.* Yahoo! and Excite are the best-known examples of catalogues. The distinction between search engines and catalogues has become blurred since many sites now include both facilities as part of a portal service.

Change management Controls to minimise the risks of project-based and organisational change.

Channel buyer behaviour Describes which content is visited by a consumer and the time and duration.

Channel conflicts A significant threat arising from the introduction of an internet channel is that while disintermediation gives the opportunity for a company to sell direct and increase the profitability of products, it can also threaten existing distribution arrangements with existing partners.

Channel marketing strategy Defines how a company should set specific objectives for digital channels and how they integrate with traditional channels, including web, mobile and social media, and vary its proposition and communications for this channel.

Channel outcomes Record of customer actions taken as a consequence of a visit to a site.

Channel profitability The profitability of a website, taking into account revenue and cost and discounted cash flow.

Channel promotion Measures that assess why customers visit a site – which adverts they have seen, which sites they have been referred from.

Channel satisfaction Evaluation of the customer's opinion of the service quality on the site and supporting services such as email.

Channel structure The configuration of partners in a distribution channel.

Churn rates The percentage of customers who end their relationship with a company, typically calculated as the number of customers who left a company during a period divided by total customers at the beginning of the period. It is straightforward to calculate for subscription businesses, but requires a definition of 'active customers' for other types of businesses such as retailing.

Clicks-and-mortar A business combining an online and offline presence. Mixed-mode buying is supported through 'click and collect' (a UK term) or BOPIS (buy online pick-up in store, a US term).

Clicks-only (internet pureplay) An organisation with principally an online presence. It does not operate a mail-order operation or promote inbound phone orders.

Clickstream A record of the path a user takes through a website. Clickstreams enable website designers to assess how their site is being used.

Clickstream analysis Reviewing the online behaviour of site visitors based on the sequence of pages that they visit, the navigation and promotion they respond to, the ultimate outcomes and where they leave the site.

Click-through A user clicks on a text or image-based call-to-action/hyperlink on a website or mobile app,

which directs them to a page that contains further information.

Click-through rate Expressed as a percentage of total ad impressions, and refers to the proportion of users viewing an advertisement who click on it. It is calculated as the number of click-throughs divided by the number of ad impressions.

Client discovery process An initiative to learn what a client or brand needs from a campaign, their strategic initiatives that it must align with, their goals and their marketing outcomes.

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

Co-branding An arrangement between two or more companies that agree to jointly display content and perform joint promotion using brand logos, email marketing or banner advertisements. The aim is that the brands are strengthened if they are seen as complementary. Co-branding is often a reciprocal arrangement, which can occur without payment as part of a wider agreement between partners.

Cohort analysis A technique used to assess how the loyalty or engagement of a group of customers changes through time.

Cold list Data about individuals that are rented or sold by a third party.

Collaborative filtering Recommended content or promotions are automatically created based on reviewing similarities in how customers behave.

Co-marketing A partnership agreement reached between different businesses to promote each other, typically based on sharing content (and potentially promotions) principally to the audience of owned media channels such as social media, blog and email marketing.

Commoditisation The process whereby product selection becomes more dependent on price than on differentiating features, benefits and value-added services.

Competitive intelligence (CI) A process that transforms disaggregated information into relevant, accurate and usable strategic knowledge about competitors, position, performance, capabilities and intentions.

Competitor analysis Identifying the companies that are competing for an organisation's business and then reviewing what they are good at, what their strengths are, where their weaknesses are, what they are planning, where they want to take the company and how they behave when other companies try to take their market share.

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

Confidentiality *See* **Security methods**.

Consumer behaviour Research into the motivations, media consumption preferences and selection processes of consumers as they use digital channels together with traditional channels to purchase online products and use other online services.

Consumer-to-business (C2B) Consumers approach the business with an offer.

Consumer-to-consumer (C2C) Informational or financial transactions between consumers, but usually mediated through a business site.

Contact or touch strategy Definition of the sequence and type of outbound communications required at different points in the customer lifecycle. Includes event-triggered automated interactions such as an email welcome sequence for a new subscriber.

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

Content audit A structured review of the effectiveness of different content types and formats to meet the needs of users and the business, using quantitative and qualitative techniques.

Content developer A person responsible for updating web pages within part of an organisation.

Content distribution (or delivery) networks (CDNs) A system of servers distributed globally with copies of data stored locally to enable more rapid download of content. Their use has increased with growth of streaming video and more complex web applications.

Content management Software tools for managing additions and amendments to website content.

Content management system (CMS) An online service or software tool for creating, editing and updating online content assets such as text and visual content forming web or mobile app pages.

Content mapping Different content types and formats are reviewed for their potential for engaging target audiences through the customer lifecycle. Current content use and distribution can be reviewed against competitors to uncover new options a company can use.

Content marketing The management of text, rich media, audio and video content aimed at engaging

customers and prospects to meet business goals, published through print and digital media including web and mobile platforms which are repurposed and syndicated to different forms of web presence such as publisher sites, blogs, social media and comparison sites.

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

Content network Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or CPA basis. There are also options for graphical or video ads in addition to text-based ads.

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

Contextual ad Ad relevant to page content on third-party sites brokered by search ad networks.

Contextual marketing Relevant communications are delivered consistent with the context of the recipient, which can depend on their location, time or place.

Contra-deals A reciprocal agreement in the form of an exchange where payment doesn't take place. Instead, services or ad space to promote another company as part of co-branding occurs.

Control page The page against which subsequent optimisation will be assessed. Typically a current landing page. When a new page performs better than the existing control page, it becomes the control page in subsequent testing. Also known as 'champion-challenger'.

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

Conversion rate Percentage of site visitors who perform a particular action such as making a purchase. *See* **Visitor conversion rate**.

Conversion rate optimisation (CRO) Improving the commercial returns from a transactional site through increasing conversion to key goals such as sales, quotes or bookings or leads. CRO combines customer and competitor research with evaluation of customer behaviour using web analytics and AB and multivariate testing.

Conversion window The period of time after an interaction with a media channel or ad (such as an ad click or video view) during which an outcome such as a lead or purchase is credited to the media channel.

Cookies Small text files stored on an end user's computer to enable websites to identify the user.

Core product The fundamental features of the product that meet the user's needs.

Core Web Vitals Google-defined measures added to its pre-existing Search signals for page experience, including mobile-friendliness, safe browsing, HTTPS security and intrusive interstitial guidelines that may negatively affect ranking if quality is low. They are: largest contentful paint (LCP), which refers to page-loading performance; first input delay (FID), which is the responsiveness of your web page based on when the browser can first respond to an interaction; and cumulative layout shift (CLS), which refers to the frequency of unexpected layout changes as the page loads.

Cost-per-acquisition (CPA) The cost of acquiring a new customer or achieving a sale. Typically limited to the communications cost and refers to cost-per-sale for new customers. May also refer to other outcomes such as cost-per-quote or enquiry.

Cost-per-click (CPC) The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

Cost-per-targeted thousand (CPTM) Cost-per-targeted thousand (*mille*) for an advertisement. *See* **Targeting**.

Cost-per-thousand (CPM) The cost of placing an ad viewed by 1,000 people.

Countermediation Creation of a new intermediary by an established company.

CPA (cost-per-acquisition) The cost of acquiring a new customer or achieving a sale. Typically limited to the communications cost and refers to cost-per-sale for new customers. May also refer to other outcomes such as cost-per-quote or enquiry.

CPC (cost-per-click) The cost of each click from a referring site to a destination site, typically from a search engine in pay-per-click search marketing.

CPM (cost-per-thousand) The cost of placing an ad viewed by 1,000 people.

Cross-selling Persuading existing customers to purchase products from other categories than their typical purchases.

Customer acquisition Strategies and techniques used to gain new customers.

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

Customer-centric An approach to marketing or digital experience design based on detailed knowledge of customer behaviour within the target audience, which seeks to fulfil the needs and wants of individual customers or customer segments.

Customer communications channels The range of media used to communicate directly with a customer.

Customer data platforms (CDPs) A CDP provides a consolidated view of customer data from marketing, sales and service channels to maintain a consolidated view of customer profiles and interactions, potentially including: personal identifiers; website visits with tracking codes; mobile app sessions; email responses; chat transcripts; audio recordings of customer service interactions; social media comments; and purchase orders.

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

Customer engagement strategy A strategy to encourage interaction and participation of consumers with a brand through developing content and experiences with the aim of meeting commercial objectives. It is closely related to the development of content marketing and social media strategy.

Customer experience *See* **Online customer experience**.

Customer experience management (CXM) A holistic approach to managing customer experience and customer engagement across digital and non-digital touchpoints including web, mobile and social digital platforms, in-store and by call centres.

Customer extension Techniques to encourage customers to increase their involvement with an organisation.

Customer identity and access management (CIAM) A category of application for managing user access and consent to online information and services typically known as social log-in or sign-on.

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

Customer journey A description of modern multichannel buyer behaviour as customers use different media and touchpoints to achieve their goals, including selecting suppliers, making purchases and gaining customer support as part of the 'path-to-purchase'.

Customer lifecycle The stages each customer will pass through in a long-term relationship with an organisation including acquisition, retention and extension, prompted by digital and non-digital communications touchpoints.

Customer loyalty The desire on the part of the customer to continue to do business with a given supplier over time. *See* **Behavioural loyalty** and **Emotional loyalty**.

Customer preferences centre Profile page(s) that enables customers to tailor the type and frequency of communications they receive.

Customer profiling Using the website to find out customers' specific interests and characteristics.

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

Customer retention Techniques to maintain relationships with existing customers.

Customer satisfaction The extent to which a customer's expectations of product quality, service quality and price are met.

Customer scenarios (online customer journeys) Alternative tasks or outcomes required by a visitor to a website. Typically accomplished in a series of stages of different tasks involving different information needs or experiences.

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

Customer selection Identifying key customer segments and targeting them for relationship building.

Customer touchpoints Communications channels through which companies interact directly with prospects and customers. Traditional touchpoints include face to face (in-store or with sales representatives), phone and mail. Digital touchpoints include web services, email and mobile phones.

Dark patterns A persuasion marketing technique based on misleading people using subtle design and interface messaging to make an offer appear more compelling in order to increase conversion and revenue.

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

Data mining Extracting data from legacy systems and other resources; cleaning, scrubbing and preparing data for decision support; maintaining data in appropriate data stores; accessing and analysing data using a variety of end-user tools; and mining data for significant relationships. The primary purpose of these efforts is to provide easy access to specially prepared data that can be used with decision-support applications such as management reports, queries, decision-support systems, executive information systems and data mining.

Data subject The legal term to refer to the individual whose data are held.

Database marketing The process of systematically collecting, in electronic or optical form, data about past, current and/or potential customers, maintaining the integrity of the data by continually monitoring customer purchases, by enquiring about changing status, and by using the data to formulate marketing strategy and foster personalised relationships with customers.

Data-driven marketing Using insight about customer profiles, preferences and interactions with a brand to increase the relevance and effectiveness of marketing communications through research, data analysis and personalisation of messages to customers and prospects.

Deep linking Jakob Nielsen's term for a user arriving at a site deep within its structure, rather than on the home page.

Deliverability Refers to ensuring email messages are delivered and aren't blocked by spam filters because the email content or structure falsely identifies a permission-based email as a spammer, or because the sender's IP address has a poor reputation for spam.

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

Demand-side platforms (DSPs) A service that enables ads to be managed across multiple ad networks and ad exchanges through a single interface designed for managing reporting and performance.

Demographic characteristics Variations in attributes of the population such as age, sex and social class.

Denial-of-service attack Also known as a distributed denial-of-service (DDoS) attack, this involves a hacker group taking control of many 'zombie' computers attached to the internet whose security has been compromised. This 'botnet' is then used to make many requests to a target server, thereby overloading it and preventing access to other visitors.

Design for analysis (DFA) The required measures from a site are considered during design to better understand the audience of a site and their decision points.

Design phase (of site construction) The design phase defines how the site will work in the key areas of website structure, navigation and security.

Destination website Site typically owned by a retailer or manufacturer brand, which users are encouraged to click through to.

Development (of site construction) 'Development' is the term used to describe the creation of a website by programmers. It involves writing the HTML content, creating graphics and writing any necessary software code such as JavaScript or ActiveX (programming).

DevOps An approach to development of systems that involves a more collaborative and closer relationship between development and operations teams with the aim of reducing deployment times and frequency of system updates and improving their stability.

Differential advantage A desirable attribute of a product offering that is not currently matched by competitor offerings.

Differential pricing Identical products are priced differently for different types of customers, markets or buying situations.

Digital accessibility An approach to website, app and digital device design intended to accommodate universal usability including that required by the visually impaired and users with other disabilities, including motor control, learning difficulties and deaf users. Users whose first language is not English can also be assisted.

Digital analytics Data analysis techniques used to assess and improve the contribution of digital marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction research, leads and sales. Formerly known as web analytics when it was limited to website data.

Digital asset The graphical and interactive material that supports a campaign displayed on third-party

sites and on microsites, including display ads, email templates, video, audio and other interactive media.

Digital brand A digital brand is a brand identity used for a product or company online that differs from the traditional brand. (Also known as an online brand.)

Digital branding Applying digital media and technology to create brand value for target audiences.

Digital business or electronic business (e-business) Electronically mediated information exchanges, both within an organisation and with external stakeholders, supporting the range of business processes.

Digital currency or cryptocurrency A digital or virtual currency that is secured by cryptography, which makes it extremely difficult to counterfeit or double-spend. Many cryptocurrencies are decentralised networks based on blockchain technology.

Digital customer experience A brand's total digital experience includes a brand's presence on different platforms including desktop website, mobile site and apps, ads on gaming platforms and digital in-store. The quality of digital experience is based on the combination of rational and emotional factors of using a company's online services that influences customers' perceptions of a brand online.

Digital display advertising Display ads are paid ad placements using graphical or rich media ad units within a web page or app to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to interact or 'rollover' to play videos, complete an online form or to view more details by clicking through to a site.

Digital disruption Innovations in digital media, data and marketing technology that enable a change to a new basis for competition in a market or across markets.

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

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

Digital marketing dashboard A visual summary of KPIs showing the contribution of digital marketing to an organisation's goals. It should show month-on-month and year-on-year performance comparisons, and ideally performance against targets for business goals.

Digital marketing metrics Measures that indicate the effectiveness of digital marketing activities integrated across different channels and platforms in meeting customer, business and marketing objectives.

Digital marketing strategy Definition of the capabilities and strategic initiatives to support marketing and business objectives an organisation should deploy to harness digital media, data and marketing technology to increase omnichannel engagement with their audiences using digital devices and platforms. Its scope should include opportunities from both new business and revenue models and always-on and campaign communications.

Digital media Communications and interactive services based on digital content accessible through different technology platforms and devices including the internet, web, mobile phones, computers, TV and digital signage. *See* **Digital media channels**.

Digital media 'assist' A referrer of a visit to a site before the ultimate site is credited with the sale, often through a weighting system.

Digital media attribution A digital analytics technique for assessing the contribution of different media channels such as advertising, search, social or email marketing to conversions and value generated from website visitors.

Digital media channels Online communications techniques using paid, owned and earned media to achieve goals of brand awareness, familiarity and favourability, and to influence purchase intent by encouraging users of digital media to visit a website or mobile app to engage with the brand or product and ultimately to purchase online, or offline through traditional media channels such as by phone or in-store. The six main channels include search engine marketing, social media marketing, email marketing, display advertising, public relations and partner marketing.

Digital media de-duplication A single referrer of a visit leading to sale is credited with the sale based on the last-click method of digital media channel attribution.

Digital natives Term used to describe people who have grown up with digital media and technology. Some consider this to include Millennials (Generation 'Y', born 1981 to 1996), who started using the web and smartphones in their teenage years, but strictly it starts with Zoomers or Generation Z, born 1997 onwards, who start using tablets or smartphones as soon as they can pick them up.

Digital public relations (online PR) Maximising favourable mentions of your company, brands, products or websites on third-party websites that are

likely to be visited by your target audience. Online or digital PR can extend reach and awareness of a brand within an audience and will also generate backlinks vital to SEO. It can also be used to support viral or word-of-mouth marketing activities in other media.

Digital rights management (DRM) The use of different technologies to protect the distribution of digital services or content such as software, music, movies or other digital data.

Digital signage The use of interactive digital technologies within billboard and point-of-sale ads. For example, videos and bluetooth interaction.

Digital transformation A staged programme of organisational improvements to business models, people, process and technologies used for integrated digital marketing in order to maximise the potential business contribution of digital technology, data and media.

Direct marketing Marketing to customers using one or more advertising media aimed at achieving measurable responses and/or transactions.

Direct response Usually achieved in an internet marketing context by call-back services.

Direct-response campaigns Campaign focus is on increasing immediate purchase intent, also known as sales activation. Typically shorter-term campaigns. Digital media increase options to gain immediate opt-in to communications or sampling with the aim of nuturing to sale.

Direct-to-customer model A brand that has previously communicated to its customers via intermediaries such as media sites or wholesalers now communicates directly via digital media such as social networks, email and websites.

Directories Directory websites provide a structured listing of registered websites in different categories. General directories such as Yahoo! were popular, but are no longer used since search engines provide more quality information. Some niche directories are still relevant.

Discovery or analysis phase The identification of the requirements of an online service. Techniques to achieve this may include quantitative analysis of digital analytics data and qualitative analysis involving focus groups, questionnaires sent to existing customers or interviews with key accounts.

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

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

Display (or content) network Sponsored links are displayed by the search engine on third-party sites such as online publishers, aggregators or social networks. Ads can be paid for on a CPC, CPM or CPA basis. There are also options for graphical or video ads as well as text-based ads.

Disruptive technologies New technologies that prompt businesses to reappraise their strategic approaches.

Distance-selling law Legal requirements for providing information about the contractual agreement entered into between a merchant and customer for providing goods and services, including company information, pricing, additional costs and returns.

Distribution channels The mechanism by which products are directed to customers, either through intermediaries or directly.

Domain name The web address that identifies a web server. *See* **Domain name system**.

Domain name registration The process of reserving a unique web address that can be used to refer to the company website, in the form of **www.<companyname>.com** or **www.<companyname>.co.uk**.

Domain name system (DNS) The domain name system (DNS) provides a method of representing internet Protocol (IP) addresses as text-based names. These are used as web addresses. For example, **www.microsoft.com** is the representation of site 207.68.156.58. Domain names are divided into the following categories:

- Top-level domain name such as **.com or .co.uk**. (Also known as global (or generic) top-level domain names (gLTD).)
- Second-level domain name. This refers to the company name and is sometimes referred to as the 'enterprise name', e.g. **novell.com**.
- Third-level or sub-enterprise domain name. This may be used to refer to an individual server within an organisation, such as **support.novell.com**.

Download The process of retrieving electronic information such as a web page or email from another remote location such as a web server.

Duplicate content Different pages that are evaluated by the search engine to be similar and so don't rank highly, even though they may be for distinct products or services.

Dynamic content insertion Copy, creative and offer in an email is customised in an automation service based on rules or real-time content to increase its relevance to the recipient with the aim of increasing response.

Dynamic pricing Prices can be updated in real time according to the type of customer or current market conditions.

Early adopters Companies or departments that invest in new technologies and techniques ahead of others.

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

Earnings-per-click (EPC) A relative measure of the effectiveness of a site or section of a site in generating revenue for the site owner through affiliate marketing for every 100 outbound clicks generated.

E-business *See* **Electronic business**.

E-commerce *See* **Electronic commerce**.

Econometric modelling A quantitative technique to evaluate the past influence or predict the future influence on a dependent variable (typically sales in a marketing context) of independent variables, which may include product, price, promotions, and the level and mix of media investments.

Editorial calendar A plan for scheduling the creation of new or updated content for different audiences to support business goals for new visitors or increased conversion as part of content marketing.

Effective cost-per-thousand (eCPM) A measure of the total revenue a site owner can achieve through advertising or other revenue options. eCPM is calculated as advertising revenue achieved for every 1,000 pages that are served for the whole site or a section. *See* **EPC**.

Effective frequency The number of exposures or ad impressions (frequency) required for an advertisement to become effective.

Effectiveness Meeting process objectives, delivering the required outputs and outcomes, 'doing the right thing'.

Efficiency Minimising resources or time needed to complete a process, 'doing the thing right'.

E-government The use of internet technologies to provide government services to citizens.

Electronic business (e-business) All electronically mediated information exchanges, both within an organisation and with external stakeholders, supporting the range of business processes.

Electronic commerce (e-commerce) All financial and informational electronically mediated exchanges between an organisation and its external stakeholders. *See* **Buy-side e-commerce** and **Sell-side e-commerce**.

Electronic commerce transactions Transactions in the trading of goods and services conducted using the internet and other digital media.

Electronic customer relationship management (e-CRM) Using digital communications technologies to maximise sales to existing customers and encourage continued usage of online services. Today, CRM is synonymous with e-CRM.

Electronic marketing (e-marketing) Achieving marketing objectives through use of electronic communications technology.

Electronic procurement (e-procurement) The electronic integration and management of all procurement activities including purchase request, authorisation, ordering, delivery and payment between a purchaser and a supplier.

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

Email (electronic mail) Sending messages or documents, such as news about a new product or sales promotion, between individuals. A primitive form of push channel. Email may be inbound or outbound.

Email advertising Advertisements contained within email such as newsletters.

Email marketing Typically applied to outbound communications from a company to prospects or customers to encourage purchase or branding goals. Email marketing is most commonly used for mailing to existing customers on a house list, but can also be used for mailing prospects on a rented or co-branded list. Emails may be sent as part of a one-off campaign, or can be automated, event-based triggered emails such as a Welcome strategy, which can be broadcast based on rules about intervals and customer characteristics. *See* **Inbound email** and **Outbound email**.

Email service providers (ESPs) Provide a web-based service used by marketers to manage their email activities including hosting email subscription forms, broadcast and tracking.

E-marketing *See* **Electronic marketing**.

Emergent strategy Strategic analysis, strategic development and strategy implementation are interrelated and are developed together.

Emotional loyalty Loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations of the brand to others.

Encryption The scrambling of information into a form that cannot be interpreted. Decryption is used to make the information readable again.

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

E-retail The sale of goods and services via the internet or other electronic channels for individual consumers. This definition includes all e-commerce and related activities that ultimately result in transactions.

Ethical standards Practices and behaviours that are morally acceptable to society.

Exchange *See* **Business-to-business exchanges or marketplaces**.

Exit intent survey A usability technique to identify website or app users' task completion and satisfaction against their intended tasks.

Exit page The page from which a visitor exits a website. It is identified by web analytics services.

Expert reviews An analysis of an existing site or prototype by an experienced usability expert who will identify deficiencies and improvements to a site, based on their knowledge of web design principles and best practice.

Extended product Additional features and benefits beyond the core product.

Extension *See* **Customer extension**.

External link building A proactive approach to gain quality links from third-party sites. It can be considered to be an element of online PR since it involves getting your brand visible on third-party sites and creating backlinks related to your site.

Extranet Formed by extending an intranet beyond a company to customers, suppliers, collaborators or even competitors. This is password-protected to prevent access by general internet users.

Faceted navigation Enables users to rapidly filter results from a product search based on different ways of classifying the product by its attributes or features. For example, by brand, by sub-product category or by price bands.

FAMGA Acronym standing for Facebook™ (which owns Instagram™ and WhatsApp™), Amazon™, Microsoft™ (which owns LinkedIn™), Google™ (whose parent group Alphabet™ owns YouTube™) and Apple™.

Feed or RSS feed Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader services such as Google Reader, personalised home pages or email systems. RSS stands for really simple syndication.

Findability An assessment of how easy it is for a web user to locate a single content object or to use browse navigation and search systems to find content. Like usability it is assessed through efficiency – how long it takes to find the content, and effectiveness – how satisfied the user is with the experience and relevance of the content they find.

Firewall A specialised software application mounted on a server at the point where a company is connected to the internet. Its purpose is to prevent unauthorised access into the company by outsiders. Firewalls are essential for all companies hosting their own web server.

First-mover advantage The benefits of being an early entrant into the marketplace.

First-party cookies Served by the site currently in use – typical for e-commerce sites.

Flow Describes how easy it is for users of a site to move between the different pages of content of the site.

Focus groups Online focus groups using group video calls are similar to offline focus groups where discussion among a small group of people is facilitated by a leader.

Form A method on a web page of entering information such as order details.

Forward auctions Item purchased by highest bid made in bidding period.

Forward path analysis Reviews the popularity of subsequent clicks that occur from a page. This form of analysis is most beneficial from important pages such as the home page, product and directory pages. Use this technique to identify messaging/navigation combinations that work best to yield the most clicks from a page.

Frame A technique used to divide a web page into different parts, such as a menu and separate content.

Freemium A business model where some services or content are provided free of charge to enable the service to be trialled while other content or more advanced features must be paid for.

Gamification The process of applying game thinking and mechanics to engage an audience by rewarding them for achievements and sharing.

Global (or generic) top-level domain names (gLTD) The part of the domain name that refers to the category of site. The gLTD is usually the far-right part of the domain name, such as .co.uk or .com.

Globalisation The increase of international trading and shared social and cultural values.

Google Ads enhanced campaigns An approach introduced by Google in 2013 to simplify the management of ads displayed in different locations, different day parts (times of day) and on different devices.

Google Display Network (GDN) Different types of online publishers agree for Google to display contextual ads on their sites for a fee, for example as part of the AdSense programme.

Google's Product Listing Ads (PLAs) Product information such as pricing and images are uploaded to Google's servers using a product feed in XML or text formats for display in ads within Google AdWords or Google Shopping.

Graphic design All factors that govern the physical appearance of a web page.

Graphics Interchange Format (GIF) A graphics format used to display images within web pages. An interlaced GIF is displayed gradually on the screen, building up an image in several passes.

Growth hacking A mindset that focuses marketing activities on increasing the scale and profitability of a business through testing and improving techniques for improving the value of audience touchpoints across the customer lifecycle of reach, interactions, conversion and engagement.

Hacker Someone who enjoys exploring the details of programmable systems and how to stretch their capabilities.

Halo effect The role of one media channel on influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer. *See* **Media-multiplier**.

Hit Recorded for each graphic or text file requested from a web server. It is not a reliable measure for the number of people viewing a page.

Hold-out testing A group within an audience is excluded from communications to compare their behaviour or value to other groups that receive alternative forms of communications such as different offers or different frequency.

Home page The index page of a website with menu options or links to other resources on the site. Usually denoted by **<web_address>/index.html**.

House list Data about existing customers used to market products to encourage future purchase.

Hreflang attribute Specifies the intended country and language (in ISO 639-1 format) for web content to search engines, for example de: German language content, independent of region; en-GB: English language content, for GB users; and de-ES: German language content, for users in Spain.

HTML (Hypertext Markup Language) A standard format used to define the text and layout of web pages rendered by web browsers.

HTTP (Hypertext Transfer Protocol) A standard that defines the way information is transmitted across the internet.

Hurdle rate The proportion of customers that fall within a particular level of activity. For example, the percentage of members of an email list that click on the email within a 90-day period, or the number of customers that have made a second purchase.

Hype cycle A graphic representation of the maturity, adoption and business application of specific technologies.

Hyperlink A method of moving between one website page and another, indicated to the user by text highlighted by underlining and/or a different colour. Hyperlinks can also be achieved by clicking on a graphic image such as a banner advertisement that is linked to another website.

Identity theft The misappropriation of the identity of another person, without their knowledge or consent.

Inbound digital communications Customers enquire through web-based form and email. *See* **Web self-service**.

Inbound email Email arriving at a company.

Inbound email marketing Management of emails from customers by an organisation.

Inbound link *See* **Backlink**.

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

Incidental offline advertising Driving traffic to the website is not a primary objective of the advert.

Index inclusion Ensuring that as many of the relevant pages from your domain(s) are included within the search engine indexes you are targeting to be listed in.

Influencer relationship management (IRM) A structured process to continuously manage and measure influencer outreach as a programme of campaigns based on content assets and 'always-on' activities against defined goals.

Information architecture The combination of organisation, labelling and navigation schemes constituting an information system.

Initiation of the website project This phase of the project should involve a structured review of the costs and benefits of developing a website (or making a major revision to an existing website). A successful outcome to initiation will be a decision to proceed with the site development phase, with an agreed budget and target completion date.

Integrated marketing A planned approach to achieve communications goals by delivering consistent, coherent messaging, creative and branding to audiences across different channels and media placements. Creative treatments and interactivity should be designed to take advantage of specific channels such as social network, email or website to make them more effective.

Integrated marketing communications The coordination of communications channels to deliver a clear, consistent message.

Integrity *See* **Security methods**.

Intellectual property rights (IPRs) These protect the intangible property created by corporations or individuals that is protected under copyright, trade secret and patent laws.

Interaction rate (IR) The proportion of ad viewers who interact with an online ad through rolling over it. Some will be involuntary depending on where the ad is placed on screen, so it is highly dependent on placement.

Interactivity The medium enables a dialogue between company and customer.

Intermediaries Online sites that help bring together different parties such as buyers and sellers.

Internal link architecture Structuring and labelling links within a site's navigation to improve the results of SEO.

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

Internet-based marketing research The use of online questionnaires and focus groups to assess customer perceptions of a website or broader marketing issues.

Internet governance Control of the operation and use of the internet.

Internet marketing The application of the internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives.

Internet of Things (IoT) A network of objects and devices at home and at work providing sensors and connectivity that enable them to be monitored and exchange data with other systems.

Internet Protocol Television (IPTV) Digital television service delivered using internet protocol, typically by a broadband connection. IPTV can be streamed for real-time viewing or downloaded before playback.

Internet pureplay An organisation with the majority of its customer-facing operations online, for example retailers without any physical stores, or mobile app-only based financial services.

Internet service provider (ISP) Company that provides home or business users with a connection to access the internet. It can also host websites or provide a link from web servers to allow other companies and consumers access to a corporate website.

Interruption marketing Marketing communications that disrupt customers' activities.

Interstitial ads Ads that appear between one page and the next.

Intranet A network within a single company that enables access to company information using the familiar tools of the internet such as web browsers and email. Only staff within a company can access the intranet, which will be password-protected.

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

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

Key performance indicators (KPIs) Metrics used to assess the performance of a process and/or whether goals set are achieved.

Keyphrase (keyword phrase) The combination of words users of search engines type into a search box that form a search query.

Knowledge Graph An infrastructure developed by Google to display related information about people, places and objects.

Lagging performance indicator A metric that indicates past performance. Corrective action can then be applied to improve performance.

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

Last-click method of digital media channel attribution The site that referred a visitor immediately before purchase is credited with the sale. Previous referrals influenced by other customer touchpoints on other sites are ignored.

Latency The average length of time that different customer types take between different activities, e.g. log-ins, paying bills, first and second purchases.

Lead Details about a potential customer (prospect). *See* **Qualified lead**.

Lead generation offers Offered in return for customers providing their contact details and characteristics. Commonly used in B2B marketing where free information such as a report or a seminar will be offered.

Lead grading A technique to measure fit with an organisation's services based on profile information such as job title, company size or sector. Typically leads are graded from A (best fit) to E (poorest fit).

Lead nurture A communications process aimed at developing purchase intent in a prospect by increasing brand favourability and familiarity.

Lead scoring A technique to measure interest in a business's services based on a lead's behaviour. Typically based on scoring interaction with different types of content, with points potentially taken away for inactivity. The higher the score, the more interested a lead is and therefore better suited for a sales conversation. Typically, leads are graded from 1 (highest interest) to 5 (lowest interest).

Leading performance indicator A measure that is suggestive of future performance and so can be used to take proactive action to shape future performance.

Lifetime value (LTV) The total net benefit that a customer or group of customers will provide a company over their total relationship with a company.

Link anchor text The text used to form the blue underlined hyperlink viewed in a web browser defined in the HTML source. For example, a link: Visit Dave Chaffey's Digital Marketing site is created by the HTML code: <A **href="http://www.smartinsights.com"**> Visit Dave Chaffey's Digital Marketing site</A>.

Link building A proactive approach to gain quality links from third-party sites.

Localisation Tailoring of website information for individual countries or regions. Localisation can include simple translation, but also cultural adaptation.

Log file A file stored on a web server that records every item downloaded by users.

Long-tail concept A frequency distribution suggesting the relative variation in popularity of items selected by consumers.

Machine learning Creating and applying predictive models and algorithms with the ability to learn without being explicitly programmed. The computer models then make predictions of success based on patterns extracted from historical data. These are used to define rules, which are implemented to automate tasks such as targeting media or emails to the most valuable segments with the most relevant creative, offer and timing.

Machine-to-machine (M2M) These connections include home and office security and automation, smart metering and utilities, maintenance, building automation, automotive, healthcare and consumer electronics.

Macro-environment Broad forces affecting all organisations in the marketplace, including social, technological, economic, political, legal and ecological influences.

Mailbots *See* **Autoresponders**.

Maintenance process The work involved in running a live website such as updating pages and checking the performance of the site.

Malware Malicious software or toolbars, typically downloaded via the internet, which act as a 'Trojan Horse' by executing unwanted activities such as keylogging of user passwords or viruses that may collect email addresses.

Marketing automation Enables businesses to automate tasks in the marketing and sales process to profile prospects and customers and deliver more relevant communications, typically delivered as personalised emails and website messages.

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

Marketing mix The series of seven key variables – product, price, place, promotion, people, process and physical evidence – that are varied by marketers as part of the customer offering.

Marketing orchestration Designing customer contact strategies to deliver the most relevant, most responsive

messages integrated across different communications channels based on customer context. Communications strategies are managed by marketing automation systems using rules or artificial intelligence based on Big Data analysis rather than manually created campaigns.

Marketing planning A logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Marketing qualified lead (MQL) A prospect who has indicated interest in what a brand has to offer based on assessment of their interaction with a brand or stated preference.

Marketing technology ('martech') Software services and tools used to run marketing operations to support marketing communications goals including customer acquisition, conversion, retention and team communications, and to deliver customer and market insight and reporting.

Marketing-led site design Site design elements are developed to achieve customer acquisition, retention and communication of marketing messages.

Marketplace *See* **Business-to-business exchanges or marketplaces**.

Markup language *See* **HTML, XML**.

Martech stack A combination of different software services or online tools used to run all marketing operations across multiple channels including customer acquisition, conversion, retention and team communications, and to deliver customer and market insight and reporting.

Mashup Websites, pages or widgets that combine the content or functionality of one website or data source with another to create something offering a different type of value to web users from the separate types of content or functionality.

Mass customisation The creation of tailored marketing messages or products for individual customers or groups of customers, typically using technology to retain the economies of scale and the capacity of mass marketing or production.

Mass marketing One-to-many communication between a company and potential customers, with limited tailoring of the message.

Media buyer The person within a company wishing to advertise who places the advertisement, usually via a media broker.

Media buying The process of purchasing media to meet the media plan requirements at the lowest costs.

Media fragmentation Describes a trend towards increasing choice and consumption of a range of media in terms of different channels such as web and mobile and also within channels – for example, more TV channels, radio stations, magazines, more websites. Media fragmentation implies increased difficulty in reaching target audiences.

Media multiplier or halo effect The role of one media channel in influencing sale or uplift in brand metrics. Commonly applied to online display advertising, where exposure to display ads may increase click-through rates when the consumer is later exposed to a brand through other media, for example sponsored links or affiliate ads. It may also improve conversion rates on destination sites through higher confidence in the brand or familiarity with the offer.

Media owners The owners of websites (or other media such as newspapers) that accept advertisements.

Media planning The process of selecting the best combination of media to achieve marketing campaign objectives. Answers questions such as 'How many of the audience can I reach through different media?', 'On which media (and ad vehicles) should I place ads?', 'Which frequency should I select?' and 'How much money should be spent in each medium?'

Media queries A styling approach within cascading style sheets (CSS) specifying breakpoints for different screen widths in pixels enabling the layout to change based on type of device.

Media site Typical location where paid-for ads are placed.

Meme An idea, theme or trend that engages an audience and spreads through viral communications.

Merchandising *See* **Web merchandising**.

Meta search A search term query that aggregates results from several search engines or information sources to return results to users.

Meta tags Text within an HTML file summarising the content of the site (content meta tag) and relevant keywords (keyword meta tag), which are matched against the keywords typed into search engines.

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

Metaverses Online worlds where people can game, work and communicate in a virtual environment, typically supported by VR headsets, chat and video.

Micro-environment The *players* (actors) and their interactions, which influence how an organisation responds in its marketplace.

Microformats A semantic definition of a specific information type such as a product, event, recipe or review. Schema.org manages some of the most common definitions.

Microsite A small-scale destination site reached on click-through that is part of the media owner's site.

Mixed-mode buying The customer's purchase decision is influenced by a range of media such as print, TV and internet.

Mixed reality The merging of real and virtual worlds to produce environments and visualisations where physical and digital objects co-exist and can interact in real time.

Mobile app Designed to run on smartphones and tablet computers, apps provide users with rich mobile content by deploying the handset's multiple native capabilities. Apps are available for download from app stores hosted by the mobile operating systems (e.g. App Store for iOS or Google Play™ for Android).

Mobile-first design A process that starts from smaller, mobile screens with the aim to create the best user experience for people using websites via smartphones. The aim is to encourage simple, minimalist designs.

Mobile marketing Marketing to encourage consumer engagement when using mobile phones (particularly smartphones) or tablet devices.

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

Multichannel marketing strategy Defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

Multichannel prioritisation Assesses the strategic significance of the internet relative to other communications channels and then deploys resources to integrate with marketing channels.

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

Native advertising Online content that is integrated with publisher editorial content to promote or enhance a brand, such as a publisher article or social media update. Such content should be disclosed as advertising by law in many countries, and for this reason publishers refer to it as branded content.

Navigational (or brand) search Searchers use a search engine such as Google to find information deeper within a company site by appending a qualifier such as a product name to the brand or site name. Organisations need to check that relevant pages are available in the search results pages for these situations.

Nested ad content This refers to the situation when the person undertaking the click-through is not redirected to a corporate or brand site, but is instead taken to a related page on the same site as that on which the advertisement is placed. (Sometimes referred to as a microsite.)

Net or network neutrality 'Net neutrality' is the principle of provision of equal access to different internet services by telecommunications service providers.

Net Promoter Score (NPS) A measure of the number of advocates a company (or website) has who would recommend it compared to the number of detractors.

Newsjacking A publisher or other brand seeks to take advantage of current topical interest in a story and then add to or subvert it to increase their own publicity.

Nofollow and dofollow tags A nofollow tag is a basic piece of HTML. Appended to a hyperlink, it allows webmasters to control whether search engines follow a link or not. For example, the following URL on a page of another site allows search engines to visit Smart Insights' website and credit the website with the link; each link is scored by the search engines, supporting SEO: <a **href="http://www.smartinsights.com/"** title="Smart Insights">Visit Smart Insights</a>This normal, natural type of link is sometimes known as 'do-followed'! Here's the same hyperlink, now including a nofollow tag (highlighted in red):<a **href="http://www.smartinsights.com/"** title="Smart Insights" rel="nofollow">Visit Smart Insights</a>.

Non-repudiability *See* **Security methods**.

Notification The process whereby companies register with the Information Commissioner to inform about their data holdings.

Offer A commitment by a trader to sell under certain conditions.

Offline promotion Using traditional media such as TV, PR, radio and print to achieve communications goals including directing visitors to an online presence.

Omnichannel marketing Planning and optimising always-on and campaign-focused marketing communications tools integrated across different customer lifecycle touchpoints to maximise leads and sales, and delivering a seamless, integrated customer experience to encourage customer loyalty.

One-to-one marketing A unique dialogue occurs between a company and individual customers (or groups of customers with similar needs) using

automation and personalisation to increase relevance.

Online brand *See* **Digital brand**.

Online branding How online channels are used to support brands that, in essence, are the sum of the characteristics of a product or service as perceived by a user.

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

Online company presence Different forms of online media controlled by a company including its website, blogs, email list and social media presences. Also known as 'owned media'.

Online customer experience The combination of rational and emotional factors in using a company's online services that influences customers' perceptions of a brand online.

Online influencer outreach Identifying online influencers such as bloggers, media owners or individuals with a large online following in the social networks and then approaching them to partner together to communicate with their audience.

Online influencers or key opinion leaders (KOLs) Online influencers can include any type of person who publishes online who has a significant following. They can include journalists, bloggers or celebrities.

Online intermediary sites Websites that facilitate exchanges between consumer and business suppliers.

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

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

Online PR (digital PR) Maximising favourable mentions of your company, brands, products or websites on third-party websites that are likely to be visited by your target audience. Online PR can extend reach and awareness of a brand within an audience and will also generate backlinks vital to SEO. It can also be used to support viral or word-of-mouth marketing activities in other media.

Online promotion contribution An assessment of the proportion of customers (new or retained) who are reached and influenced by online communications.

Online reputation management Controlling the reputation of an organisation through monitoring and controlling messages placed about the organisation.

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

Online service–quality gap The mismatch between what is expected of and what is delivered by an online presence.

Online social network A service facilitating the connection, collaboration and exchange of information between individuals.

Online tactical marketing segmentation Tactical segmentation enables targeting based on customer journey behaviour such as search behaviour, content accessed and contribution to social media.

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

Online voice of customer (VoC) Qualitative assessments of the effectiveness of digital presence based on direct customer feedback. They answer 'who and why' questions about how customers interact with brands online.

On-page optimisation Writing copy and applying markup such as the <title> tag and headings tags <h1>, <h2>, <h3> to highlight relevant keyphrases within a document to search engines.

Opportunities to see (OTS) or impressions A measure of campaign reach based on the number of times an ad or campaign content is viewed during a time period. Its definition varies by channel and it sometimes references the average number of times someone has seen an ad (i.e. frequency). Online impressions are used to measure the number of times an ad is served or displayed or a post appears in a social media feed.

Opt-in An individual gives consent to receive further communications (such as a newsletter) or agrees to a privacy policy (such as enabling personalisation using cookies).

Opt-in email The customer is only contacted when they have explicitly asked for information to be sent (usually when filling in an on-screen form).

Opt-out A customer declines the offer to receive further information.

Organic or natural listings The pages listing results from a search engine query, which are displayed, below any ads, in a sequence according to relevance of match between the keyword phrase typed into a search engine and a web page according to a ranking algorithm used by the search engine.

Organic social media marketing It's common practice to distinguish between organic and paid social media marketing activities in a similar way to organic and paid search marketing. Organic social involves using social networks and customer communities to develop relationships, share positive opinions through social media amplification and manage negative social media comments.

Outbound digital communications Website, mobile push notifications or email marketing are used to send personalised communications to customers.

Outbound email Email sent from a company.

Outbound email marketing Emails are sent to customers and prospects from an organisation.

Outbound internet-based communications The website and email marketing used to send personalised communications to customers.

Outsourcing Contracting an outside company to undertake part of the internet marketing activities.

Overt Typically an animated ad that moves around the page and is superimposed on the website content.

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

Page and ad impressions One page impression occurs when a member of the audience views a web page. One ad impression occurs when a person views an advertisement placed on a web page or mobile app.

Page request The process of a user selecting a hyperlink or typing in a uniform resource locator (URL) to retrieve information on a specific web page. Equivalent to page impression.

Page view *See* **Page impression**.

PageRank and Domain Authority (DA) PageRank is a scale between 0 to 10 used by Google's internal algorithms (named after Google founder Larry Page) to assess the importance of web pages according to the number of inbound links or backlinks. It was publicly shown in Google's browser toolbar until 2016. Today, to get an indication of the authority of a site and page, other options are available such as Moz Domain Authority (DA) and Page Authority (PA), which varies between 0 and 100 and can also be accessed from a toolbar, and is useful for benchmarking the relative authority of sites based on the number of unique links to them.

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

Paid search (pay-per-click) marketing (PPC) A relevant text ad with a link to a company page is displayed on the SERPs when the user of a search engine types in a specific phrase. A fee is charged for every click of each link, with the amount bid for the click mainly determining its position. Additionally, PPC may involve advertising through a content network of third-party sites (which may be on a CPC, CPM or CPA basis).

Panda and Penguin algorithm updates Changes to Google's algorithm aimed at reducing the impact of webspam. They caused the rankings of many sites to fall. Panda targeted low-quality sites with 'thin' content. Penguin targeted sites using aggressive link building.

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

Pay-for-performance communications The wastage from traditional media buys can be reduced online through advertising models where the advertisers only pay for a response (cost-per-click), as in pay-per-click search marketing, or for a lead or sale, as in affiliate marketing.

Payment systems Methods of transferring funds from a customer to a merchant.

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

People variable The element of the marketing mix that involves the delivery of service to customers during interactions with those customers.

Performance drivers Critical success factors that determine whether business and marketing objectives are met.

Performance management system A process, used to evaluate and improve the efficiency and effectiveness of an organisation and its processes.

Performance marketing Used as an alternative term for affiliate marketing which includes payment for lead, sale, but also click, so it is a broader term including other online paid media such as display advertising and biddable media including pay-per-click and programmatic advertising.

Performance measurement system The process by which metrics are defined, collected, disseminated and actioned.

Performance metrics Measures that are used to evaluate and improve the efficiency and effectiveness of business processes.

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

Persistent cookies Cookies that remain on a computer after a visitor session has ended. Used to recognise returning visitors.

Personal data Any information about an individual stored by companies concerning their customers or employees.

Personalisation Digital experience personalisation is the dynamic serving of customised content, product or promotional offer recommendations to website visitors or app users based on their characteristics and intent behaviour to support conversion and long-term engagement goals.

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

Persuasion marketing Using design elements such as layout, copy and typography together with promotional messages to encourage site users to follow particular paths and specific actions rather than giving them complete choice in their navigation.

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

Physical evidence variable The element of the marketing mix that involves the tangible expression of a product and how it is purchased and used.

Pixel The small dots on a computer screen that are used to represent images and text. Short for 'picture element'. Used to indicate the size of banner advertisements.

Place variable The element of the marketing mix that involves distributing products to customers in line with demand and minimising cost of inventory, transport and storage.

Plug-in A program that must be downloaded to view particular content, such as an animation.

Podcast Individuals and organisations post online media (audio and video) that can be viewed in the appropriate players including the iPod, which first sparked the growth in this technique.

Portal A website that acts as a gateway to information and services available on the internet by providing search engines, directories and other services such as personalised news or free email.

Portfolio analysis Identification, evaluation and selection of desirable marketing applications.

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

Predictive analytics Using analysis, data mining and statistical modelling of historical data about customer interactions and their profile to predict future outcomes, for example by scoring customer propensity to respond to a specific offer. This can be used to inform future personalised communications by tailoring the timing, message or offer.

Prescriptive strategy The three core areas of strategic analysis, strategic development and strategy implementation are linked together sequentially.

Price comparison sites *See* **Aggregators**.

Price dispersion The distribution or range of prices charged for an item across different retailers.

Price elasticity of demand Measure of consumer behaviour that indicates the change in demand for a product or service in response to changes in price. Price elasticity of demand is used to assess the extent to which a change in price will influence demand for a product.

Price transparency Customer knowledge about pricing increases, due to increased availability of pricing information.

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

Pricing level The price set for a specific product or range of products.

Pricing model Describes the form of payment such as outright purchase, auction, rental, volume purchases or credit terms.

Primary persona A representation of the typical site user.

Privacy A moral right of individuals to avoid intrusion into their personal affairs. *See* **Security methods**.

Privacy and Electronic Communications Regulations (PECR) A law intended to control the distribution of email and other online communications including cookies.

Privacy statement Information on a website explaining how and why individuals' data are collected, processed and stored.

Process variable The element of the marketing mix that involves the methods and procedures companies use to achieve all marketing functions.

Product variable The element of the marketing mix that involves researching customers' needs, developing appropriate products and service products, and communicating their features and benefits.

Profiling *See* **Customer profiling**.

Programmatic ad buying Describes the purchase of online display advertising that is aggregated, booked, flighted, analysed and optimised via demand-side software interfaces and algorithms. It includes RTB and also non-RTB methods and buy types such as Facebook Ads API and the Google Display Network.

Progressive Web Apps (PWAs) A development technique that combines the benefits of web and mobile apps to create digital experiences enabling users to install web apps to their home screen, receive push notifications and potentially work offline.

Promotion (online and offline) Online promotion uses communication via the internet itself to raise awareness about a site and drive traffic to it. This promotion may take the form of links from other sites, banner advertisements or targeted email messages. Offline promotion uses traditional media such as television or newspaper advertising and word of mouth to promote a company's website.

Promotion variable The element of the marketing mix that involves communication with customers and other stakeholders to inform them about the product and the organisation.

Propensity modelling The approach of evaluating customer characteristics and behaviour and then making recommendations for future products.

Prototype A preliminary version of part, or a framework of all, of a website or app, which can be reviewed by its target audience or the marketing team. Prototyping is an iterative process in which website users suggest modifications before further prototypes and then the final version of the site are developed.

Proximity marketing Marketing messages are delivered in real time according to customers' presence based on the technology they are carrying, wearing or have embedded.

Psychographic segmentation A breakdown of customers according to different characteristics.

Public relations (PR) The management of the awareness, understanding and reputation of an organisation or brand, primarily achieved through influencing exposure in the media.

Pull media and inbound marketing The consumer is proactive in actively seeking out a solution and interactions with brands and is attracted through content, search and social media marketing.

Pull media The consumer is proactive in selection of the message through actively seeking out a website.

Push media Communications are broadcast from an advertiser to consumers of the message, who are passive recipients.

Push technology The delivery of web-based content to the user's desktop without the need for the user to visit a site to download information. Email can also be considered to be a push technology. A particular type of information is a push channel.

Qualified lead Contact and profile information for a customer with an indication of the level of their interest in product categories.

Quality score An assessment in paid search by Google Ads (and now other search engines) of an individual ad triggered by a keyword that, in combination with the bid amount, determines the ranking of the ad relative to competitors. The primary factor is the click-through rate for each ad, but quality score also considers the match between the keyword and the occurrence of the keyword in the text, historical click-through rates, the engagement of the searcher when they click through to the site and the speed at which the page loads.

Quick Response (QR) code A QR code is a two-dimensional matrix bar code. QR codes were invented in Japan, where they are a popular type of two-dimensional code used for direct response.

Reach Reach defines the number of unique individuals who view an advertisement.

Really Simple Syndication feed (RSS) Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader software services. Now typically shortened to 'feed', e.g. news feed or sports feed.

Real-time bidding (RTB) Bids for buying ads against keywords can be managed in real time in conjunction with a DSP.

Real-time marketing (and PR) Brands develop an agile, proactive approach to PR, content marketing and advertising to participate in current news and trends to help increase their visibility and influence through

positive brand mentions. They also develop a reactive approach to respond to negative brand mentions through social media reputation management.

Recency–frequency–monetary value (RFM) analysis RFM is sometimes known as FRAC, which stands for: frequency, recency, amount (obviously equivalent to monetary value), category (types of products purchased – not included within RFM).

Referrer The site that a visitor previously visited before following a link.

Referrer or referring site The source of a visitor to a site delivered via a digital media channel. Typically from a click-through on an ad placement on a specific site or an advertising platform, e.g. from Facebook, Google or LinkedIn, or an ad or affiliate network.

Registration (individuals) The process whereby an individual subscribes to a site or requests further information by filling in their contact details and their needs using an electronic form.

Registration (of domain name) The process of reserving a unique web address that can be used to refer to the company website.

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

Relationship marketing Consistent application of up-to-date knowledge of individual customers to product and service design, which is communicated interactively in order to develop a continuous, mutually beneficial and long-term relationship.

Renderability The capability of an email to display correctly formatted in different email readers on desktop and mobile devices.

Repeat visits If an organisation can encourage customers to return to the website then the relationship can be maintained online.

Representation The locations on the internet where an organisation is located for promoting or selling its services.

Repurposing Developing for a new access platform, such as the web, content that was previously used for a different platform.

Request for proposal (RFP) A formal request sent from a buyer to potential sellers who is looking to procure products or services.

Resource analysis Review of the technological, financial and human resources of an organisation and how they are utilised in business processes.

Resources Resources are defined as physical assets over which an organisation has control. This narrow definition of resources allows them to be clearly distinguished from capabilities.

Responsive Web Design (RWD) Layout and formatting of website content is modified at the point of rendering to suit different screen resolutions and capabilities, using web development methods such as CSS media queries and image scaling, to produce a better experience for users of a range of desktop, tablet and smartphone devices.

Results-based payment Advertisers pay according to the number of times the ad is clicked on.

Retail channel Retailers' use of the internet as both a communication and a transactional channel concurrently in business-to-consumer markets.

Retargeting Ads that are served to people who have previously interacted with a brand, for example through visiting a website, social media profile or searching. In Google Ads, retargeting is known as remarketing. Sometimes also applied to email follow-up based on interaction.

Retention *See* **Customer retention**.

Return on advertising spend (ROAS) This indicates amount of revenue generated from each referrer. ROAS = Total revenue generated from referrer/Amount spent on advertising with referrer.

Return on investment (ROI) This indicates the profitability of any investment, or in an advertising context for each referring site.

- ROI = Profit generated from investment/Cost of investment.
- ROI = Profit generated from referrers/Amount spent on advertising with referrer.

Revenue models Methods of generating income for an organisation.

Reverse auctions Item purchased from lowest-bidding supplier in bidding period.

Reverse path analysis Reverse path analysis indicates the most popular combination of pages and/or calls to action that lead to a page. This is particularly useful for transactional pages such as the first checkout page on a consumer site; a lead generation or contact us page on a business-to-business site; an email subscription page; or a call-me-back option.

Rich media Advertisements that are not static, but provide animation, audio, sound or interactivity as a game or form to be completed. An example of this would be a banner display advertisement for a loan in which a customer can type in the amount of loan required, and the cost of the loan is calculated immediately.

Robot A tool, also known as a spider, that is employed by search engines to index web pages of registered sites on a regular basis. *See* **Spider**.

Run-of-site Where advertisements occur on all pages of a website. Cost-per-1,000 ad impressions (CPM) is usually higher for run-of site advertisements.

Sales cadences Communications between a business development person and prospect aimed at achieving lead nurture and conversion to sale. These can be automated for different channels including email, phone or social media messaging.

Sales generation offer Encourages product trial. A coupon redeemed against a purchase is a classic example.

Sales promotions The internet offers tremendous potential for sales promotions of different types since it is more immediate than any other medium – it is always available for communication, and tactical variations in the details of the promotion can be made at short notice.

Sales qualified lead (SQL) A prospect who has indicated they are potentially interested in purchase, typically through interaction with a business development person.

Satisficing behaviour Consumers do not behave entirely rationally in product or supplier selection. They will compare alternatives, but then may make their choice given imperfect information.

Scannability and skimmability *Scannability* is the use of writing and formatting techniques that compensate for the fact that most people don't fully read content on the web. These help give online readers an overview to navigate the page. *Skimmability* is using shorter copy and formatting techniques to make it easier to read text once the reader has found context through scanning.

Scripts Scripts can run either on the user's browser (client-side scripts) (*see* **Web browser**) or on the web server (server-side scripts).

Scrum A methodology that supports agile software development based on 15–30-day sprints to implement features from a product backlog. 'Scrum' refers to a daily project status meeting during the sprint.

Search engine Specialised website that uses automatic tools known as spiders or robots to index web pages of registered sites. Users can search the index by typing in keywords to specify their interest. Pages containing these keywords will be listed, and by clicking on a hyperlink the user will be taken to the site.

Search engine listing The list of sites and descriptions returned by a search engine after a user types in keywords.

Search engine marketing (SEM) Promoting an organisation through search engines to meet its objectives by delivering relevant content in the search listings for searchers and encouraging them to click through to a destination site. The two key techniques of SEM are search engine optimisation (SEO) to improve results from the natural listings, and paid search marketing to deliver results from the sponsored listings within the search engines. Note, in the US and some European countries the acronym SEM is sometimes used solely to describe paid search advertising. Confusing!

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

Search engine ranking The position of a site on a particular search engine.

Search engine results pages (SERPs) The page(s) containing the results after a user types a keyphrase into a search engine. SERPS contain both natural or organic listings and paid or sponsored listings.

Secure HTTP Encrypted HTTP.

Secure Sockets Layer (SSL) A commonly used encryption technique for scrambling data such as credit card numbers as they are passed across the internet from a web browser to a web server.

Security methods When systems for electronic commerce are devised, or when existing solutions are selected, the following attributes must be present:

- Authentication – are parties to the transaction who they claim to be? This is achieved through the use of digital certificates.
- Privacy and confidentiality – are transaction data protected? The consumer may want to make an anonymous purchase. Are all non-essential traces of a transaction removed from the public network and all intermediary records eliminated?
- Integrity – checks that the message sent is complete, i.e. that it is not corrupted.
- Non-repudiability – ensures sender cannot deny sending message.
- Availability – how can threats to the continuity and performance of the system be eliminated?

Seeding A viral campaign is started by sending an email to a targeted group that are likely to propagate the virus.

Segmentation Identification of different groups within a target market in order to develop different offerings for each group.

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

Sense-and-respond communications Delivering timely, relevant communications to customers as part of an automated contact strategy, based on assessment of their position in the customer lifecycle and monitoring specific interactions with a company's website, emails and staff.

SERPs features Organic search engine results listings incorporate other relevant results as 'search snippets' related to a query, such as images, video, related questions, local retailers (in Google My Business) and news.

Service quality The level of service received on a website. Dependent on reliability, responsiveness and availability of staff and the website service.

Serving Used to describe the process of displaying an advertisement on a website (ad serving) or delivering a web page to a user's web browser. *See* **Web server**.

Sessions *See* **Visitor sessions**.

Share of search An evaluation of the proportion of website visits from organic and paid search that a brand attracts for a defined set of target search terms used by an audience searching for a market category of product, service or other information. A search gap analysis can be performed to assess potential visits from consumer search intent against actual visits achieved through SEO and pay-per-click activities.

Share of voice The relative advertising spend of the different competitive brands within the product category. Share of voice (SOV) is calculated by dividing a particular brand's advertising spend by the total category spend.

Short Message Service (SMS) The formal name for text messaging.

Single customer view Customer profile information is kept consistent across systems to maintain customer data quality.

Site *See* **Website**.

Site auditors Auditors accurately measure the usage for different sites as the number of ad impressions and click-through rates. Auditors include ABC (Audit Bureau of Circulations) and BPA (Business Publication Auditor) Worldwide. *See* **Website auditors**.

Site availability An indication of how easy it is to connect to a website as a user. In theory this figure should be 100 per cent, but for technical reasons such as failures in the server hardware or upgrades to software, sometimes users cannot access the site and the figure falls below 90 per cent.

Site design template(s) A standard page layout format that is applied to each page of a website for particular page types, e.g. category pages, product or blog pages. Also known as themes, where they can be purchased at low cost, e.g. for WordPress sites.

Site map A graphical or text depiction of the relationship between different groups of content on a website.

Site navigation scheme Tools provided to the user to move between different information on a website.

Site relaunch Where a website is replaced with a new version with a new 'look and feel'.

Site 'stickiness' An indication of how long a visitor stays on a site. Log file analysers can be used to assess average visit times.

Site visit One site visit records one customer visiting the site. Not equivalent to user session.

Site-visitor activity data Clickstream data on website referrers, content accessed by website visitors and profile information.

Situation analysis Collection and review of information about an organisation's internal processes and resources and external marketplace factors in order to inform strategy definition.

Skunkworks A loosely structured group of people who research and develop innovative opportunities and business benefits.

SMART Specific, Measurable, Actionable, Relevant and Time-related.

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

Social CRM The process of managing customer-to-customer conversations to engage existing customers, prospects and other stakeholders with a brand and so enhance customer relationship management.

Social exclusion Part of society is excluded from the facilities available to the remainder.

Social graph A term popularised by Facebook in 2007 when describing its Facebook platform. The social graph describes the relationship between individuals linked through social networks and other connections such as email or personal contact.

Social log-on (or log-in) A user logs in to a site using a social network service user name and password. This can enable connection between social memberships and company profile information.

Social media amplification A method of increasing awareness of a brand through organic and paid sharing of social media updates via social networks as organic social posts and adverts displayed in the stream of social network users.

Social media governance A definition of how companies should respond to social mentions that may give rise to leads or to reputational damage.

Social media listening and social media monitoring (SMM) Social media intelligence processes for reviewing brand mentions, market keywords and sentiment for a business and its competitors in social media and online publishers.

Social media marketing Organic sharing and paid advertising using social networks and their messaging services to gain awareness and response from target audiences. Also involves facilitating and monitoring customer-to-customer and customer-to-company interactions and participation on social networks and other online communities where user-generated content is created.

Social media optimisation (SMO) A process to review and improve the effectiveness of social media marketing through reviewing approaches to enhance content and communications quality to generate more business value.

Social media strategy A definition of the marketing communications used to achieve interaction and amplification with social network users to meet business goals. The scope of social media optimisation also includes paid social media, customer service and incorporation of social features such as status updates and sharing widgets into company websites.

Social network A site that facilitates peer-to-peer communications within a group or between individuals through providing facilities to develop user-generated content (UGC) and to exchange messages and comments between different users.

Social proof Consumer psychology research shows that potential customers trust recommendations from others, so communicating social proof in different formats can increase conversion. Forms of social proof include customer reviews, ratings, testimonials and case studies, independent validation by an influencer or recognised trustworthy sources. Numbers showing the size of the company and brand idents can also communicate social proof.

Social selling A proactive approach to using social media to generate leads and sales, particularly applied to B2B marketing in LinkedIn where it's possible to identify prospects and connect with them.

Soft launch A trial version of a site launched with limited publicity.

Soft lock-in Electronic linkages between supplier and customer increase switching costs.

Software agents *See* **Agents**.

Software as a service (SaaS) Business applications and software services are provided through internet and web protocols with the application managed on a separate server, from where it is accessed through a web browser on an end-user's computer with data stored within 'the cloud'.

Spam Unsolicited email (usually bulk mailed and untargeted).

Spamming Bulk emailing of unsolicited mail.

Specific offline advertising Driving traffic to the website or explaining the online proposition is a primary objective of the advert.

Spiders Software processes, technically known as robots, employed by search engines to index web pages of registered sites on a regular basis. They follow links between pages and record the reference URL of a page for future analysis.

Split testing Different groups within an audience receive alternative communications with different creative, offer or frequency to determine which is most effective to inform the communications used for future campaigns.

Sponsorship Sponsorship involves a company paying money to advertise on a website. The arrangement may involve more than advertising. Sponsorship is a similar arrangement to co-branding.

Stage models Models for the development of different levels of digital services.

Static (fixed) web page A page on the web server that is invariant.

Stickiness An indication of how long a visitor stays on-site.

Storyboarding The use of static drawings or screenshots of the different parts of a website to review the design concept with user groups. It can be used to develop the structure – an overall 'map' with individual pages shown separately.

Strategic agility The capability to innovate and so gain competitive advantage within a marketplace by monitoring changes within an organisation's marketplace, and then efficiently evaluating alternative strategies and selecting, reviewing and implementing appropriate candidate strategies.

Strategic analysis Collection and review of information about an organisation's internal processes

and resources and external marketplace factors in order to inform strategy definition.

Strategic market segmentation A grouping of customer types defined by their value to a business, and common characteristics, needs or psychographic profiles.

Strategic positioning Performing different activities from rivals or performing similar activities in different ways.

Strategy formulation Generation, review and selection of strategies to achieve strategic objectives.

Strategy process model A framework for approaching strategy development.

Streaming media Sound and video that can be experienced within a web browser before the whole clip is downloaded.

Streaming media server A specialist server used to host broadcast audio (e.g. podcasts via Apple, Google Play, Spotify or Soundcloud) or video (e.g. hosted on YouTube or Vimeo, or IPTV or webcast presentations).

Style guide A definition of site structure, page design, typography and copy defined within a company. *See* **Graphic design**.

Subject access request A request by a data subject to view personal data from an organisation.

Superstitials Pop-up adverts that require interaction to remove them.

Syndication Content or product information is distributed to third parties. Online this is commonly achieved through standard XML formats such as RSS.

Tagging Tracking of origin of customers and their spending patterns.

Target marketing strategy Evaluation and selection of appropriate segments and the development of appropriate offers.

Telemarketing Mainly used for inbound telemarketing, including sales lines, carelines for goods and services, and response handling for direct-response campaigns.

Template *See* **Site design template**.

Temporary or session cookies Cookies used to manage a single visitor session.

Test website A parallel version of the site to use before the site is made available to customers as a live website.

Testing Testing involves checking different aspects of the content such as spelling, validity of links, formatting on different web browsers and dynamic features such as form filling or database queries.

Testing content Testing should be conducted for plug-ins; for interactive facilities and integration with company databases; for spelling and grammar; for adherence to corporate image standards; for implementation of HTML in different web browsers; and to ensure that links to external sites are valid.

Third-party cookies Served by another site to the one being viewed – typical for portals where an ad network will track remotely or where the web analytics software places a cookie.

Tipping point Using the science of social epidemics explains principles that underpin the rapid spread of ideas, products and behaviours through a population.

Trademark A trademark is a unique word or phrase that distinguishes your company. The mark can be registered as plain or designed text, artwork or a combination. In theory, colours, smells and sounds can also be trademarks.

Traffic building Using online and offline site promotion techniques to generate visitors to a site.

Transactional e-commerce sites Sites that support online sales.

Uniform (universal) resource locator (URL) A web address used to locate a web page on a web server.

Unique visitor Individual visitor to a site measured through cookies or the IP address on an individual computer.

Unsubscribe An option to opt-out from an email newsletter or discussion group.

Upload The transfer of files from a local computer to a server. Usually achieved using FTP. Email or website pages can be uploaded to update a remote server.

Up-selling Persuading existing customers to purchase more expensive products (typically related to existing purchase categories).

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

Usability An approach to website design intended to enable the completion of user tasks.

Usability/user testing Representative users are observed performing representative tasks using a system.

User-centred design A design approach that is based on research of user characteristics and needs.

User journey *See* **Customer scenarios**.

Validation Validation services test for errors in HTML code that may cause a web page to be displayed incorrectly, or for links to other pages that do not work.

Value chain A model that considers how supply chain activities can add value to products and services delivered to the customer.

Value event scoring Value events are outcomes that occur on the site as indicated by visits to different page or content types that suggest marketing communications are effective. Examples include leads, sales, newsletter registrations and product page views. They can be tagged and scored using many web analytics systems, for example Google refers to them as conversion goals.

Value network The links between an organisation and its strategic and non-strategic partners that form its external value chain.

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

Value proposition of site The benefits or value of a website that are evident to its users.

Video marketing The use of video to gain visibility in search marketing, video hosting sites and to engage site visitors.

View *See* **Page impression**.

View-through Indicates when a user views an ad and subsequently visits a website.

Viral marketing Online viral marketing, or buzz marketing, is a form of electronic word-of-mouth marketing. Brands and promotions are discussed and awareness of them transmitted in two main forms, either as pass-along email or discussion in a social network.

Virtual organisation An organisation that uses information and communications technology to allow it to operate without clearly defined physical boundaries between different functions. It provides customised services by outsourcing production and other functions to third parties.

Virtual reality (VR) Virtual reality headset and software technology create immersive three-dimensional spaces that simulate a user's physical presence in a virtual or imaginary environment.

Virtualisation The process whereby a company develops more of the characteristics of a virtual organisation.

Visit or session conversion rate An indication of the capability of a site in converting visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of visitor sessions within a time period.

Visitor conversion rate An indication of the capability of a site in converting visitors to defined outcomes such as registration. Calculated by dividing the number of conversion events by the number of unique visitors within a defined time period.

Visitor session (visit) A series of one or more page impressions, served to one user, which ends when there is a gap of 30 minutes or more between successive page impressions for that user.

Voice of customer (VoC) Research about customer perceptions about a brand including brand perception, customer satisfaction with services, customer preferences and new product development.

Web accessibility *See* Accessibility.

Web addresses Web addresses refer to particular pages on a web server, which are hosted by a company or organisation. The technical name for web addresses is uniform or universal resource locators (URLs).

Web analytics *See* **Digital analytics**.

Web browser Browsers such as Google Chrome™, Mozilla Firefox™, Apple Safari® and Microsoft Edge™ provide an easy method of accessing and viewing information stored as HTML web documents on different web servers.

Web merchandising The aim of web merchandising is to maximise sales potential of an online store for each visitor. This means connecting the right products with the right offer to the right visitor, and remembering that the online store is part of a broader experience including online and offline advertising, in-store visits, customer service and delivery.

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

Web response model The website is used as a response mechanism for offline campaign elements such as direct mail or advertising.

Web self-service Customers perform information requests and transactions through a web interface rather than by contact with customer support staff.

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

Webmaster A webmaster is responsible for ensuring the quality of a website. This means achieving suitable availability, speed, working links between pages and connections to company databases. In small

companies the webmaster may be responsible for graphic design and content development.

Website A set of interconnected pages published on a domain by a person or organisation that is accessed via a web browser.

Website auditors Auditors accurately measure the usage of different sites in terms of the number of ad impressions and click-through rates.

Website content Created by a particular organisation or individual and accessible on the World Wide Web. The location and identity of a website is indicated by its web address (URL) or domain name. It may be stored on a single server in a single location, or on a cluster of servers.

Widget A badge or button incorporated into a site or social network space by its owner, with content or services typically served from another site, making widgets effectively a mini-software application or web service. Content can be updated in real time since the widget interacts with the server each time it loads.

Wireframe Also known as a 'schematic', a way of illustrating the layout of an individual web page.

Word-of-mouth marketing According to the Word-of-Mouth Marketing Association (WOMMA), it is giving people a reason to talk about your products and services, and making it easier for that conversation to take place. It is the art and science of building active, mutually beneficial consumer-to-consumer and consumer-to-marketer communications.

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

XML (eXtensible Markup Language) A standard for transferring structured data that, unlike HTML, is purely presentational.

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David Edmundson-Bird, Principal Lecturer in Digital Marketing, Manchester Metropolitan University

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