Week 5 Lecture

Digital Marketing

Marketing in a Global Age M003

Today's Leaning Objectives

- Defining digitisation and digital

- The pace of technology change

- Generation Y

- Competition and risk of commoditisation

- New business and operating model

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Learning Objective 1

The digitisation of everything

- **An imperative for digital innovation and engagement** has emerged: businesses have already realised that they must use digital channels to engage with their key stakeholders to maintain relevance and drive the conversation.

- Businesses need to pursue innovation to disrupt their own business model before the competition does.

- The challenge for businesses is to **face the implications of digital change**: in particular, the loss of control over the customer relationship, increased competition and threat of commoditisation, and the need to engage digitally with suppliers, partners and employees in addition to customers.

Defining 'digital'

- **Defining 'digital'** Digitisation at its simplest means the conversion of analogue information into digital information. As digitisation capabilities extend, virtually every aspect of life is captured and stored in some digital form, and we move closer towards the networked interconnection of everyday objects. The impact of this is a real-time global exchange of information between multiple connected devices (fixed and mobile).

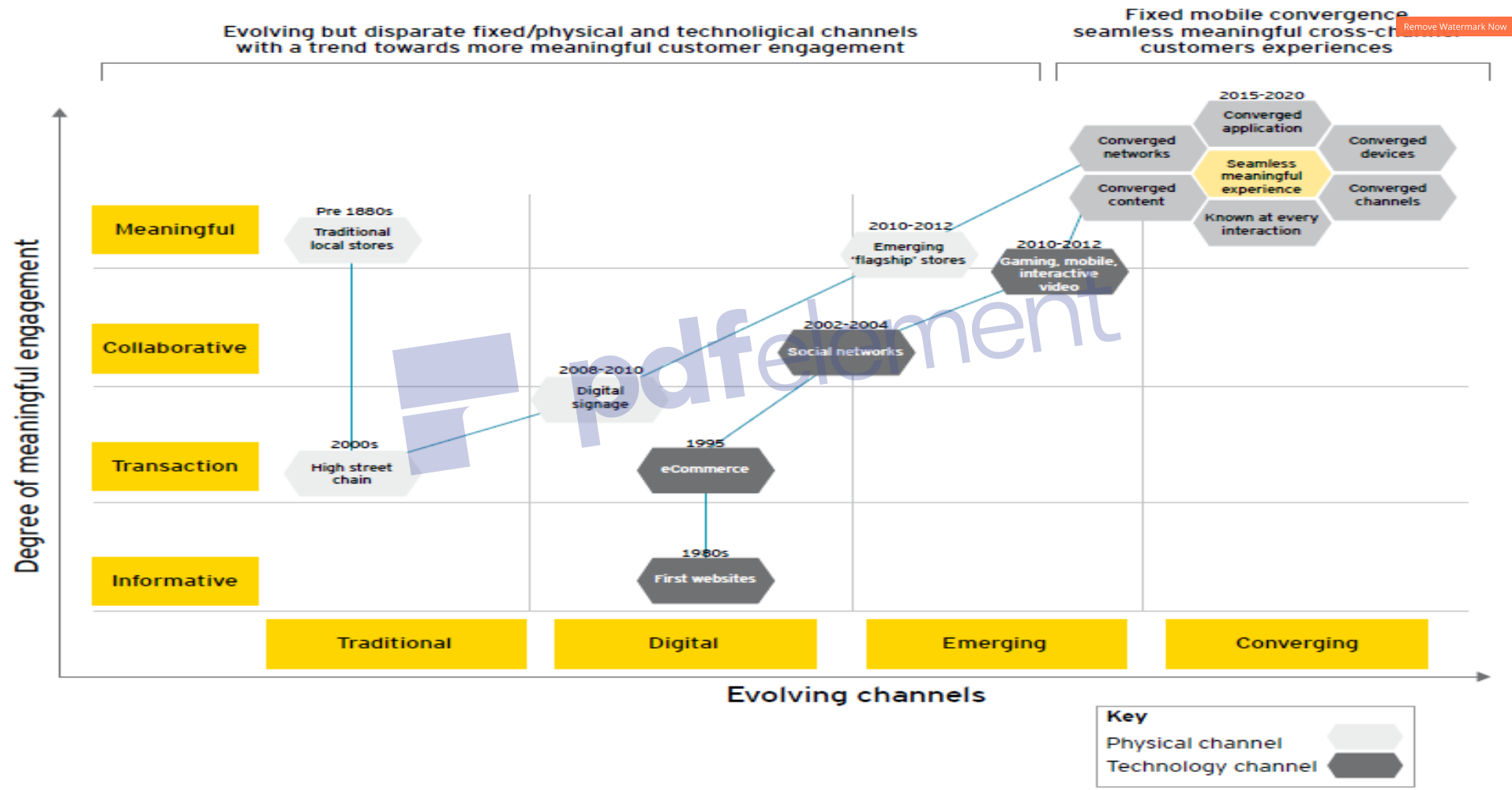**Figure 2: How engagement is changing over time (Source: Ernst & Young research)**

Evolving but disparate fixed/physical and technoligical channels with a trend towards more meaningful customer engagement

Fixed mobile convergence seamless meaningful cross-ch customers experiences

Degree of meaningful engagement

Meaningful

Collaborative

Transaction

Informative

Pre 1880s
Traditional local stores

2015-2020
Converged application

Converged networks

Seamless meaningful experience

Converged devices

Converged content

Converged channels

Known at every interaction

2010-2012
Emerging 'flagship' stores

2010-2012
Gaming, mobile, interactive video

2002-2004
Social networks

2008-2010
Digital signage

2000s
High street chain

1995
eCommerce

1980s
First websites

Traditional **Digital** **Emerging** **Converging**

Evolving channels

Key

Physical channel

Technology channel

Figure 1: How emerging technologies can be used for physical/digital channel integration

| Example technology	Use for channel integration
Location based services	Services to digitally identify a physical location of a person or object (e.g nearest ATM). Also used to replace coupons for advertising to customers based on their actual physical location
QR coding	Allows users to scan a physical object (paper or building wall) and access further information in a digital fashion on their mobile
Augmented reality	Information about the surrounding real world of the user becomes interactive when viewed through a digital screen. Often used to make sports spectatorship interactive.
Electronic paper	A computer that feels and operates like a thin sheet of paper which can interpret text written directly onto it

Learning Objective 2

The pace of technology change

Figure 3: Everett Rogers diffusion of innovations
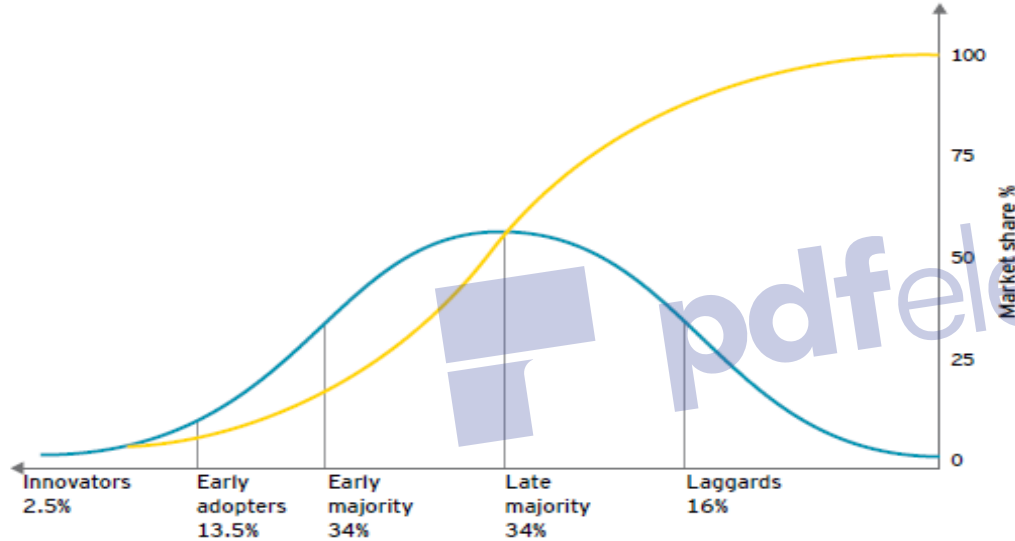
Technology adoption typically occurs in an S - curve , with exponential growth of technology adoption from 'early adopters'.

The rate of diffusion is accelerating, and with each new technology release, the 'early adopters' and 'early majority' move further to the left.

Google+, the new social media tool from Google took only **16 days** to reach **10 million users**, compared with **780 days** for Twitter and **852 days** for Facebook. It took **10 years** for the internet to become a basic and essential part of daily life.

Learning Objective 3

Generation Y: Expectations and influence

- Generation Y are best thought of not as a uniform group but as an evolving mindset, and the demands and expectations of this group are trending upwards.

- They are today the catalysts and the incubators of change, but each day their influence is growing in consumer and corporate environments, meaning that organisations must learn to engage effectively now, or risk being shut out of the game.

Figure 4: The young minds behind digital business model innovation (Ernst & Young research)

Digital Business Model	Creator/inventor	Year of birth
Facebook – social networking	Mark Zuckerberg	1984
Napster – peer to peer file sharing	Sean Parker	1979
Spotify – digital music streaming	Daniel Ek	1983
Skype – VOIP telephone network	Janus Friis	1976
Twitter – microblogging social network	Jack Dorsey	1976

Coventry University
Ranked No.15 UK University
Guardian University Guide 2017

Coventry University
Top 4 for Student Experience
The Times and Sunday Times Good University Guide 2017

Coventry University
95% employed or in further study
DLHE Survey 2014/2015 - six months after graduation

The Rise of the Prosumer

- A Prosumer is a term used for a consumer who is unusually interested in products/services of a brand. Prosumers will dedicate their spare time to upload reviews and comments and respond to other reviews and comments about the product. Some prosumers will record YouTube videos to help other users with technical service issues of a particular product. These individuals can be very useful sources of product development ideas, or can be incentivised as a low cost provider of technical service to other consumers.

The Rise of the Prosumer

▪ prosumers should be used as a source of vital product development ideas for brands

Walkers crisps renewed customers interest in new flavours by revamping its traditional brand development process and getting consumers deeply involved in product development. The campaign was a huge success with over 1 million flavour suggestions, 4.3 million visits to the walkers.co.uk site

https://www.youtube.com/watch?v=KMz n318vOs0

Learning Objective 4

Increased competition and the risk of commoditisation

- Companies are continually seeking ways to retain and develop increased share of wallet through deeper customer relationships.

- Digital channels lower barriers to entry and increase globalisation, leading to a spiral of intensifying competition and commoditisation.

- There is an extension of 'superbrands', such as Google, is today in direct competition with social networking sites, they have also moved into the mobile handset market, and even the online fashion market, leaving organisations in other industries wondering, or perhaps fearing, what Google will do next.

Learning Objective 4

Figure 6: Commoditisation in various sectors (source: Ernst & Young research)

Impact of commoditisation (vertical axis: Low → High)

Time to commoditisation (horizontal axis: Low → High)

News and broadcasting

Physical capital barriers have crumbled 'Open content' on the web undermines human capital.

Travel industry

Comparison and discount websites/apps have commoditised agencies. Cost pressures fro airlines leading to service commoditisation.

Retail banking

Emergence of new payment methods and platforms threaten the position of the banks as middle men. Digital payment channels have lowered the barrier to entry. Personal finance management services will aim to own the relationship with the customer.

Luxury retail

Industry lags mainstream retail. Fear of counterfeit is delaying a shift to digital. Customers are losing patience for lack of innovation/modernisation. Need to innovate and customise for luxury, and not copy best-in-class stream.

Utilities

National grid existence. Aggregators and comparison websites prevail. Wrap-around services through smart meters means opportunity for differentiation, but information management giants are competing in this space too.

Telecoms

Power and profit shifting to makers of software and services. NFC technology means opportunity for mobile network operators to control the digital wallet, but banking institutions are shifting to compete.

Retail

Convenience and price are increasing purchase decision factors. Instant price comparison through mobile apps affecting impulse buys. Customers demand engagement and high levels of personalisation.

FMCG

Already highly commoditised. With increasing volume of marketing messages and diversity of media channels, companies are challenged in their attempt to make messages memorable. Smart brands have to become part of customers' lives, not just their shopping basket.

Increased competition and the risk of commoditisation

▪ Many organisations are successfully shifting their focus from products to services as a way of differentiating themselves and also increasing margins.

▪ Successful responses to the commoditisation threat include increased personalisation; wrapping a service around a product; and a re-bundling of products to realise price advantages.
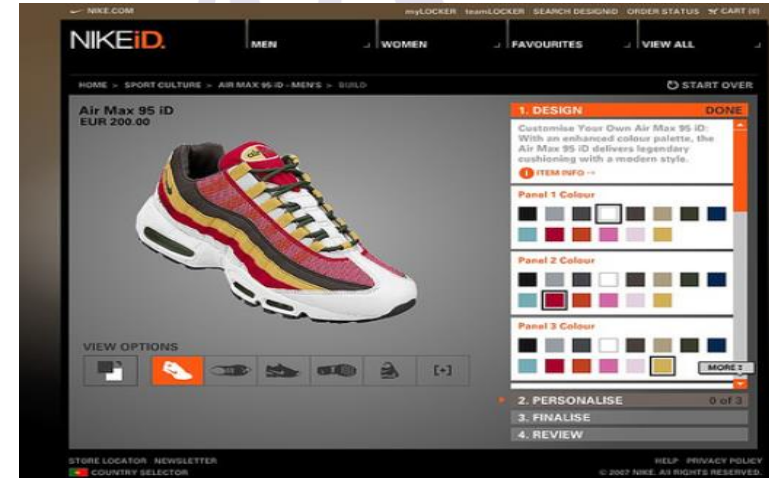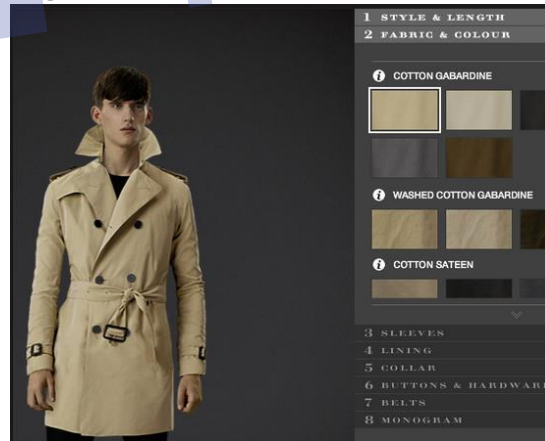
Learning Objective 5

The need for new business and operating models

Option	Description	Example	Benefits	Value
1. Use digital technology to enhance traditional business models	Use automated and digital services to compete with and extend existing manual services	► eBay auction model ► Life insurance computing algorithms ► Dell/Amazon – dynamic pricing	► Make better use of self-service channels including customer service through social media	► Reduced cost to serve ► Reduced time to revenue
	Shift the core business model from selling products towards offering services	► IBM ► Streetcar/Zipcar	► 'Pay as you go' model extension	► Increased share of value-chain and share of wallet
	Transform hardware offerings into service offerings	► Xerox/HP offering 'Managed Print Services' ► Apple/Amazon integration of product with ongoing service (iTunes)	► Integrating products with services engenders combined loyalty ► Longer-term relationship with customer	► Increased annuity revenue streams from services ► Increased customer lifetime value
2. Transform existing business models digitally	Offer entirely new services that cannot be provided manually	► Google/Yahoo – online search capability ► Skype – VoIP ► Salesforce.com – software-as-a-service ► Facebook/LinkedIn – social media marketplaces	► Volume of potential customers using the often free service	► Shareholder and reputational value
	Offer existing services through new digital channels	► 100flowers – purchase through Facebook ► Tesco – purchase through smartphone app ► Dell – customer service through Twitter	► Customer convenience engenders loyalty	► Increased revenue streams ► Reduced cost to serve
3. Invent entirely new business models or different engagement models	Offer entirely new revenue generating products/services, or different engagement models	► Virtual currency used in online games and social networks ► Google/Yahoo – Advertising revenue linked to search ► Facebook – sell digital customer data ► giffgaff – a 'people-powered' mobile operator business model	► First to market ► Fast to market through digital channels ► High customer loyalty and low cost to serve with giffgaff	► New revenue streams

Any Questions ??