Chapter 13

Digital Marketing and Social Networking

Learning Objectives

After reading this chapter, you will be able to:

LO 13-1Define digital media and digital marketing, and recognize their increasing value in strategic planning.

LO 13-2Demonstrate the role of digital marketing and social networking in today’s business environment.

LO 13-3Show how digital media affect the marketing mix.

LO 13-4Define social networking, and illustrate how businesses can use different types of social networking media.

LO 13-5Identify legal and ethical considerations in digital media.

LO 13-6Evaluate a marketer’s dilemma and propose recommendations.

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Enter the World of Business

Microblog Marketing: Reaching Millions of Consumers with One Click

Companies such as Starbucks and Mercedes Benz are using microblog sites like Sina Weibo as a way to reach consumers in China. Sina Weibo, the Chinese version of Twitter but with more social networking features, has approximately 309 million active users, of which 70 percent check their pages every day. Users can post up to 140 characters on the site. More than 1,000 multinational businesses—including IKEA, Royal Caribbean International, and Nokia—use this platform for marketing, brand building, and gathering customer feedback. Because of the large user base, marketing over this channel is not only useful but also cost-effective. For example, Mercedes Benz launched a digital marketing campaign to sell more than 600 of its smart cars over Weibo. These cars sold in about eight hours.

Starbucks also received significant returns by marketing and communicating with customers on Sina Weibo. With more than 700,000 followers, the company launched an $80,000 campaign to promote Frappuccino sales. Over a two-month period, Starbucks made 60 Weibo posts, which were reposted and commented on approximately 200,000 times. As a result, more than 95 million friend-to-friend recommendations were made, and the company saw a 14 percent growth in sales.

The quick comments and responses allow companies to immediately address customer feedback, whether it is positive or negative. This has helped companies reduce the impact of bad public relations and successfully market to the largest population in the world.1

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LO 13-1

Introduction2

The Internet and information technology have dramatically changed the environment for business. Marketers’ new ability to convert all types of communications into digital media has created efficient, inexpensive ways of connecting businesses and consumers and has improved the flow and the usefulness of information. Businesses have the information they need to make more informed decisions, and consumers have access to a greater variety of products and more information about choices and quality.

The defining characteristic of information technology in the 21st century is accelerating change. New systems and applications advance so rapidly that it is almost impossible to keep up with the latest developments. Startup companies emerge that quickly overtake existing approaches to digital media. When Google first arrived on the scene, a number of search engines were fighting for dominance. With its fast, easy-to-use search engine, Google became number one and is now challenging many industries, including advertising, newspapers, mobile phones, and book publishing. Despite its victory, Google is constantly being challenged itself by competitors like Yahoo! and Baidu. Baidu is gaining ground with 77 percent of the Chinese search engine market. Baidu has aggressively entered the mobile technology market and has successfully overtaken Google’s market share. It is estimated that Baidu’s market share of total mobile search queries in China is 57 percent.3 Social networking continues to advance as the channel most observers believe will dominate digital communication in the near future. Today, people spend more time on social networking sites, such as Facebook, than they spend on e-mail.

In this chapter, we first provide some key definitions related to digital marketing and social networking. Next, we discuss using digital media in business and digital marketing. We look at marketing mix considerations when using digital media and pay special attention to social networking. Then we focus on digital marketing strategies—particularly new communication channels like social networks—and consider how consumers are changing their information searches and consumption behavior to fit emerging technologies and trends. Finally, we examine the legal and social issues associated with information technology, digital media, and e-business.

Images

Amazon’s mobile applications make it easier for users to shop and purchase items on the go.

Growth and Benefits of Digital Communication

Let’s start with a clear understanding of our focus in this chapter. First, we can distinguish e-business from traditional business by noting that conducting e-business means carrying out the goals of business through the use of the Internet. Digital media are electronic media that function using digital codes—when we refer to digital media, we mean media available via computers and other digital devices, including mobile and wireless ones like smartphones.

digital media

electronic media that function using digital codes via computers, cellular phones, smartphones, and other digital devices that have been released in recent years

e-business

carrying out the goals of business through utilization of the Internet

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TABLE 13.1Characteristics of Digital Marketing

Characteristic Definition Example

Addressability The ability of the marketer to identify customers before they make a purchase Amazon installs cookies on a user’s computer that allows it to identify the owner when he or she returns to the website.

Interactivity The ability of customers to express their needs and wants directly to the firm in response to its marketing communications Texas Instruments interacts with its customers on its Facebook page by answering concerns and posting updates.

Accessibility The ability for marketers to obtain digital information Google can use web searches done through its search engine to learn about customer interests.

Connectivity The ability for consumers to be connected with marketers along with other consumers The Avon Voices website encouraged singers to upload their singing videos, which can then be voted on by other users for the chance to be discovered.

Control The customer’s ability to regulate the information they view as well as the rate and exposure to that information Consumers use Kayak to discover the best travel deals.

Digital marketing uses all digital media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers. Digital marketing is a term we will use often, because we are interested in all types of digital communications, regardless of the electronic channel that transmits the data. Digital marketing goes beyond the Internet and includes mobile phones, banner ads, digital outdoor marketing, and social networks.

digital marketing

uses all digital media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers

The Internet has created tremendous opportunities for businesses to forge relationships with consumers and business customers, target markets more precisely, and even reach previously inaccessible markets at home and around the world. The Internet also facilitates business transactions, allowing companies to network with manufacturers, wholesalers, retailers, suppliers, and outsource firms to serve customers more quickly and more efficiently. The telecommunication opportunities created by the Internet have set the stage for digital marketing’s development and growth.

Digital communication offers a completely new dimension in connecting with others. Some of the characteristics that distinguish digital from traditional communication are addressability, interactivity, accessibility, connectivity, and control. These terms are discussed in Table 13.1.

LO 13-2

Using Digital Media in Business

The phenomenal growth of digital media has provided new ways of conducting business. Given almost instant communication with precisely defined consumer groups, firms can use real-time exchanges to create and stimulate interactive communication, forge closer relationships, and learn more accurately about consumer and supplier needs. Consider that Amazon.com, one of the most successful electronic businesses, ranked number 49 on the Fortune 500 list of America’s largest corporations. Amazon is a true digital marketer, getting 40 percent of its revenue from international sales.4 Many of you may not remember a world before Amazon because it has completely transformed how many people shop.

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Because it is fast and inexpensive, digital communication is making it easier for businesses to conduct marketing research, provide and obtain price and product information, and advertise, as well as to fulfill their business goals by selling goods and services online. Even the U.S. government engages in digital marketing activities—marketing everything from Treasury bonds and other financial instruments to oil-drilling leases and wild horses. Procter & Gamble uses the Internet as a fast, cost-effective means for marketing research, judging consumer demand for potential new products by inviting online consumers to sample new-product prototypes and provide feedback. If a product gets rave reviews from the samplers, the company might decide to introduce it. By testing concepts online, companies can save significant time and money in getting new products to market.

New businesses and even industries are evolving that would not exist without digital media. Vimeo is a video website founded by filmmakers to share creative videos. The site lets users post or view videos from around the world. It has become the third most popular video website after YouTube and Netflix.5

The reality, however, is that Internet markets are more similar to traditional markets than they are different. Thus, successful digital marketing strategies, like traditional business strategies, focus on creating products that customers need or want, not merely developing a brand name or reducing the costs associated with online transactions. Instead of changing all industries, digital technology has had much more impact in certain industries where the cost of business and customer transactions has been very high. For example, investment trading is less expensive online because customers can buy and sell investments, such as stocks and mutual funds, on their own. Firms such as Charles Schwab Corp., the biggest online brokerage firm, have been innovators in promoting online trading. Traditional brokers such as Merrill Lynch have had to follow with online trading for their customers.

Because the Internet lowers the cost of communication, it can contribute significantly to any industry or activity that depends on the flow of digital information such as entertainment, health care, government services, education, and computer services like software development. The publishing industry is transitioning away from print newspapers, magazines, and books as more consumers purchase e-readers, like the Kindle Fire or iPad, or read the news online. Even your textbook is available electronically. Because publishers save money on paper, ink, and shipping, many times electronic versions of books are cheaper than their paper counterparts.

Images

Home Depot has an application that connects mobile users to its website to search and shop for products.

Digital media can also improve communication within and between businesses. In the future, most significant gains will come from productivity improvements within businesses. Communication is a key business function, and improving the speed and clarity of communication can help businesses save time and improve employee problem-solving abilities. Digital media can be a communications backbone that helps to store knowledge, information, and records in management information systems so co-workers can access it when faced with a problem to solve. A well-designed management information system that utilizes digital technology can, therefore, help reduce confusion, improve organization and efficiency, and facilitate clear communications. Given the crucial role of communication and information in business, the long-term impact of digital media on economic growth is substantial, and it will inevitably grow over time.

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Firms also need to control access to their digital communication systems to ensure worker productivity. This can be a challenge. For example, in companies across the United States, employees are surfing the Internet for as much as an hour during each workday. Many firms are trying to curb this practice by limiting employees’ access to instant messaging services, streaming music, and websites with adult content.6

LO 13-3

Digital Media and the Marketing Mix

While digital marketing shares some similarities with conventional marketing techniques, a few valuable differences stand out. First, digital media make customer communications faster and interactive. Second, digital media help companies reach new target markets more easily, affordably, and quickly than ever before. Finally, digital media help marketers utilize new resources in seeking out and communicating with customers. One of the most important benefits of digital marketing is the ability of marketers and customers to easily share information. Through websites, social networks, and other digital media, consumers can learn about everything they consume and use in their lives, ask questions, voice complaints, indicate preferences, and otherwise communicate about their needs and desires. Many marketers use e-mail, mobile phones, social networking, wikis, media sharing, blogs, videoconferencing, and other technologies to coordinate activities and communicate with employees, customers, and suppliers. Twitter, considered both a social network and a micro-blog, illustrates how these digital technologies can combine to create new communication opportunities.

Nielsen Marketing Research revealed that consumers now spend more time on social networking sites than they do on e-mail, and social network use is still growing. Figure 13.1 shows the use of social media among Internet users in select countries. With digital media, even small businesses can reach new markets through these inexpensive communication channels. Brick-and-mortar companies like Walmart utilize online catalogs and company websites and blogs to supplement their retail stores. Internet companies like Amazon and Zappos that lack physical stores let customers post reviews of their purchases on their websites, creating company-sponsored communities.

FIGURE 13.1Social Networking Use in Select Countries

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Note: Internet users in the United States represent adults who said they use the Internet or e-mail or connect via a mobile device “at least occasionally.” International Internet users represent adults who use the Internet at least occasionally or own a smartphone.

Source: Lee Rainie and Jacob Poushter, “Emerging Nations Catching Up to U.S. on Technology Adoption, Especially Mobile and Social Media Use,” Pew Research Center, www.pewresearch.org/fact-tank/2014/02/13/emerging-nations-catching-up-to-u-s-on-technology-adoption-especially-mobile-and-social-media-use/ (accessed May 19, 2014).

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One aspect of marketing that has not changed with digital media is the importance of achieving the right marketing mix. Product, distribution, promotion, and pricing are as important as ever for successful online marketing strategies. More than 40 percent of the world’s population now uses the Internet.7 That means it is essential for businesses large and small to use digital media effectively, not only to grab or maintain market share but also to streamline their organizations and offer customers entirely new benefits and convenience. Let’s look at how businesses are using digital media to create effective marketing strategies on the web.

Product Considerations. Like traditional marketers, digital marketers must anticipate consumer needs and preferences, tailor their goods and services to meet these needs, and continually upgrade them to remain competitive. The connectivity created by digital media provides the opportunity for adding services and can enhance product benefits. Some products, such as online games, applications, and virtual worlds, are only available via digital media. The more than 800,000 applications available on the iPad, for instance, provide examples of products that are only available in the digital world.8 Businesses can often offer more items online than they could in a retail store. Additionally, Netflix offers a much wider array of movies and games than the average movie rental stores and original content, along with a one-month free trial, quick delivery and easy returns, online video streaming of some movies, and no late fees. Netflix also prides itself on its recommendation engine, which recommends movies for users based on their previous rental history and how they rate movies they have seen. As Netflix demonstrates, the Internet can make it much easier to anticipate consumer needs. However, fierce competition makes quality product offerings more important than ever.9

Distribution Considerations. The Internet is a new distribution channel for making products available at the right time, at the right place, and in the right quantities. Marketers’ ability to process orders electronically and increase the speed of communications via the Internet reduces inefficiencies, costs, and redundancies while increasing speed throughout the marketing channel. Shipping times and costs have become an important consideration in attracting customers, prompting many companies to offer consumers low shipping costs or next-day delivery. For example, Walmart is attempting to take market share away from e-marketers like Amazon.com by reducing delivery time and creating a “site to store” system that eliminates shipping costs for consumers who pick up their deliveries in the store. This offer has the increased benefit of getting customers into the store, where they might make add-on purchases. Walmart is also testing the concept of delivering groceries to individual homes. Through even more sophisticated distribution systems, Walmart hopes to overtake online retailers to become the biggest online merchant.10

These changes in distribution are not limited to the Western world. In a revolutionary shift in China, where online shopping had not been widely adopted by consumers, businesses are now realizing the benefits of marketing online. One of the first adopters of Internet selling was the Chinese company Taobao, a consumer auction site that also features sections for Chinese brands and retailers. Taobao has been enormously successful; the company is estimated to be worth $650 billion in the next few years.11 Consumer trends like these demonstrate that the shift of distributing through digital networks is well under way worldwide.

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Promotion Considerations. Perhaps one of the best ways businesses can utilize digital media is for promotion purposes—whether they are increasing brand awareness, connecting with consumers, or taking advantage of social networks or virtual worlds (discussed later) to form relationships and generate positive publicity or “buzz” about their products. Thanks to online promotion, consumers can be more informed than ever, including reading customer-generated content before making purchasing decisions. Consumer consumption patterns are radically changing, and marketers must adapt their promotional efforts to meet them.

If marketers find it difficult to adapt their promotional strategies to online marketing, many social networks offer tools to help. For instance, Facebook has its “Facebook Exchange” and “Facebook Offers” to help businesses target their promotions to the right audiences. “Facebook Exchange” is a tool that provides marketers with the ability to target their advertisements to people based upon other activities they have done on the Internet. “Facebook Offers” is a tool allowing businesses to provide customers with discounts on their Facebook pages. MGM Resorts International used both these tools in a campaign to acquire new customers, promote loyalty, and increase current customer activity. It is estimated that MGM received a fivefold return on its advertising investment using “Facebook Offers” and a 15-fold return using “Facebook Exchange.”12 Marketers that choose to capitalize on these opportunities have the chance to significantly boost their firms’ brand exposure.

Pricing Considerations. Price is the most flexible element of the marketing mix. Digital marketing can enhance the value of products by providing extra benefits such as service, information, and convenience. Through digital media, discounts and other promotions can be quickly communicated. As consumers have become better informed about their options, the demand for low-priced products has grown, leading to the creation of deal sites where consumers can directly compare prices. Expedia.com, for instance, provides consumers with a wealth of travel information about everything from flights to hotels that lets them compare benefits and prices. Many marketers offer buying incentives like online coupons or free samples to generate consumer demand for their products. For the business that wants to compete on price, digital marketing provides unlimited opportunities.

LO 13-4

Social Networking

A social network is a website where users can create a profile and interact with other users, post information, and engage in other forms of web-based communication. Social networks are a valued part of marketing because they are changing the way consumers communicate with each other and with firms. Sites such as Facebook and Twitter have emerged as opportunities for marketers to build communities, provide product information, and learn about consumer needs. By the time you read this, it is possible there will be new social network sites that continue to advance digital communication and opportunities for marketers.

social network

a website where users can create a profile and interact with other users, post information, and engage in other forms of web-based communication

You might be surprised to know that social networks have existed in some form or other for 40 years. The precursors of today’s social networks began in the 1970s as online bulletin boards that allowed users with common interests to interact with one another. The first modern social network was Six Degrees.com, launched in 1997. This system permitted users to create a profile and connect with friends—the core attributes of today’s networks.13 Although Six Degrees eventually shut down for lack of interest, the seed of networking had been planted.14 Other social networks followed, with each new generation becoming increasingly sophisticated. Today’s sites offer a multitude of consumer benefits, including the ability to download music, games, and applications; upload photos and videos; join groups; find and chat with friends; comment on friends’ posts; and post and update status messages.

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Images

Marketers can use the popular micro blogging site Twitter to connect with customers and answer questions.

As the number of social network users increases, interactive marketers are finding opportunities to reach out to consumers in new target markets. Cafe Mom is a family of branded social communities that offer mothers a forum in which to connect and write about parenting and other topics important to them. At more than 20 million users, this particular site is an opportunity to reach out to mothers, a demographic that has a significant influence on family purchasing behavior. Walmart, Playskool, General Mills, and Johnson & Johnson have all advertised through this site.15 We’ll have more to say about how marketers utilize social networks later in this chapter.

An important question relates to how social media sites are adding value to the economy. Marketers at companies like Ford and Zappos, for instance, are using social media to promote products and build consumer relationships. Most corporations are supporting Facebook pages and Yammer accounts for employees to communicate across departments and divisions. Professionals such as professors, doctors, and engineers also share ideas on a regular basis. Even staffing organizations use social media, bypassing traditional e-mail and telephone channels. While billions of dollars in investments are being funneled into social media, it may be too early to assess the exact economic contribution of social media to the entire economy.16

Types of Consumer-Generated Marketing and Digital Media

While digital marketing has generated exciting opportunities for companies to interact with their customers, digital media are also more consumer-driven than traditional media. Internet users are creating and reading consumer-generated content as never before and are having a profound effect on marketing in the process.

Two factors have sparked the rise of consumer-generated information:

1.The increased tendency of consumers to publish their own thoughts, opinions, reviews, and product discussions through blogs or digital media.

2.Consumers’ tendencies to trust other consumers over corporations. Consumers often rely on the recommendations of friends, family, and fellow consumers when making purchasing decisions.

Marketers who know where online users are likely to express their thoughts and opinions can use these forums to interact with them, address problems, and promote their companies. Types of digital media in which Internet users are likely to participate include social networks, blogs, wikis, video sharing sites, podcasts, virtual reality sites, and mobile applications. Let’s look a little more closely at each.

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Going Green Images

Facebook Praised for Tackling Carbon Emissions

It’s no secret that Facebook and Google are competitors, particularly when it comes to advertising. Both companies have a wide global reach and the ability to segment the market. However, there is one area in which Facebook performs better than Google: its carbon footprint. Facebook’s yearly carbon emissions amount to approximately 285,000 metric tons per year compared to Google’s 1.5 million.

As concern for the planet increases, consumers are demanding that companies become more sustainable. Therefore, the fact that Facebook is more carbon-efficient than competitors places it at an advantage. Greenpeace has praised the company for its transparency after Facebook released a detailed report describing its carbon footprint. In the report, Facebook announced its goals of getting 25 percent of its energy from renewable sources by 2015. This report provided information about Facebook’s goals and data centers as well as the carbon footprint from the company’s more than 90 million Facebook users.

So how much energy does each user’s Facebook use emit? Facebook has calculated that each user’s annual use is equivalent to the carbon footprint of a medium latte. Unfortunately, with more than 900 million users, this adds up significantly. And while the firm plans to create a hydro powered data center in Sweden, other expansions will likely increase its carbon emissions in the short term. Despite these downsides, Facebook’s transparency has earned it accolades from stakeholders—including environmental groups.17

Discussion Questions

1.How is Facebook trying to increase its sustainability?

2.Why do you think Facebook released a report on its sustainability accomplishments?

3.Do you feel that Facebook’s sustainability initiatives will give it an edge over Google?

Social Networks

The increase in social networking across the world is exponential. It is estimated that today’s adults spend approximately 37 minutes per day on social networking sites.18 As social networks evolve, both marketers and the owners of social networking sites are realizing the opportunities such networks offer—an influx of advertising dollars for site owners and a large reach for the advertiser. As a result, marketers have begun investigating and experimenting with promotion on social networks. Three popular sites are Facebook, Twitter, and Google+.

Images

Many companies have Facebook pages to promote products and stay connected to consumers.

Facebook. In April 2008, the social networking site Facebook surpassed Myspace in its number of members, becoming the most popular social networking site in the world.19 Facebook users create profiles, which they can make public or private, and then search the network for people with whom to connect. Many believe Facebook appeals to a broader demographic than does Myspace, attracting parents and grandparents as well as teens and college students.20 In fact, the fastest-growing group on Facebook is consumers 55 and over.21

For this reason, many marketers are turning to Facebook to market products, interact with consumers, and gain free publicity. It is possible for a consumer to become a “fan” of a major company like Starbucks by clicking on the “Like” icon on the coffee retailer’s Facebook page. Facebook is also partnering with businesses to offer unique incentives to businesses. American Express offers customers special discounts if they link their cards to Facebook, Twitter, and/or Foursquare accounts. This incentive allows the firm to build loyalty and gain more information about customers.22 Advertising on Facebook has also been increasing. The firm generated $1.8 billion from advertising during a four-month period, with 49 percent coming from mobile advertising.23 Promoted posts, one of the features Facebook has to offer businesses, allows companies to develop advertisements that show up in the News Feeds of those who have “liked” the organization and in the News Feeds of their friends.24

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Additionally, social networking sites are useful for relationship marketing, or the creation of relationships that mutually benefit the marketing business and the customer. Companies are utilizing relationship marketing through Facebook to help consumers feel more connected to their products. For instance, New Belgium Brewing has more than 35 local Facebook pages and uses the website to target advertisements toward its fan base. After conducting a study on its Facebook fans, the company determined that its fans generate half of the company’s annual sales.25 Thanks to Facebook, companies like New Belgium are able to understand who their customers are and how they can meet their needs.

Twitter. Twitter is a hybrid of a social networking site and a micro-blogging site that asks users one simple question: “What’s happening?” Members can post answers of up to 140 characters, which are then available for their registered “followers” to read. It sounds simple enough, but Twitter’s effect on digital media has been immense. The site quickly progressed from a novelty to a social networking staple, attracting millions of viewers each month.26 The site quickly progressed from a novelty to a social networking staple, attracting more than 215 million active users each month. Nearly half of these users visit the site on a daily basis, while approximately 30 percent visit the site multiple times per day.27

Although 140 characters may not seem like enough for companies to send an effective message, some have become experts at using Twitter in their marketing strategies. Southwest Airlines has an entire team to monitor its account during its business operations to answer questions on Twitter ranging from refunds to lost baggage. These efforts are having an impact; more than half of Twitter’s active and monthly users follow companies or brands. This indicates three times more the exposure for businesses on Twitter than on Facebook.28

Like other social networking tools, Twitter is also being used to build, or in some cases rebuild, customer relationships. For example, Zappos posts on Twitter to update followers on company activities and address customer complaints.29 Other companies are using Twitter in conjunction with other social media sites to create unique viral marketing campaigns. For example, Royal Dutch Airlines implemented a campaign called KLM Surprise in which employees looked for waiting passengers on Twitter and Foursquare. Once discovered, they learned a little more about them and surprised them with gifts before they left the terminal.30

Finally, companies are using Twitter to gain a competitive advantage. Sports organizations and media companies are using Twitter to rebroadcast game highlights with short advertisements on their site. These postings have received several thousand comments and retweets as a result.31 Twitter is also expanding into video with its acquisition of the mobile application Vine. In keeping with Twitter’s reputation for short, concise postings, Vine allows users to display up to 6 seconds of video and share them with other users. Vine has become highly popular among celebrities and teenagers, with more than 13 million users. Marketers are taking notice. Burberry, for instance, developed a video on Vine that featured its London menswear fashion show.32 The race is on among companies that want to use Twitter to gain a competitive edge.

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Google+. In 2011, Google launched its Google+ network, a social media site intended to rival Facebook and identify users across Google’s various services.33 The initial launch was invitation-only as a field test. Eventually, Google abandoned the invite-only feature and opened the site to all users over the age of 13.

CEO Larry Page initiated a move to get more people to use Google+ by requiring those that use Google services, such as Gmail and YouTube, to have a Google+ account. This requirement has many implications for Google. For instance, integration between the social network and its other services means that users who post reviews on different Google platforms can no longer do so anonymously—they are now tied to a person’s Google+ account.34 In another controversial move, Google began requiring users who wanted to leave comments on YouTube to do so using Google+.35 The move has led to a 58 percent jump in users on the site.36

Google+ gives digital marketers an opportunity to capitalize on its growing user base. Because Google+ is linked with search results on Google, sharing a firm’s information on Google+ could push the firm up through the ranks of Google search results. Google+ postings with links to a company’s website encourage more traffic on the corporate website. Google+ also has tools that allow companies to see how often their posts are shared. Additionally, because Google+ is integrated with other Google services, a search for an organization such as Ford will not only bring up information on Ford, but will also display recent posts about Ford that have been placed on Google+.37 Although Google+ does not yet have the same influence as Facebook, marketers are discovering a number of possibilities to engage users with Google+.

DID YOU KNOW? Searching is one most popular online activity, while social networking and blogging are fourth.40

Blogs and Wikis

Today’s marketers must recognize that the impact of consumer-generated material like blogs and wikis and their significance to online consumers have increased a great deal. Blogs (short for web logs) are web-based journals in which writers can editorialize and interact with other Internet users. More than three-fourths of Internet users read blogs.38 In fact, the blogging site Tumblr, which allows anyone to post text, hyperlinks, pictures, and other media for free, became one of the top 10 online destinations. The site has 187 million blogs, and more than 98 million posts are posted on the site daily. In 2013, Yahoo! purchased Tumblr for $1.1 billion.39

blog

a web-based journal in which a writer can editorialize and interact with other Internet users

Blogs give consumers power, sometimes more than companies would like. Bloggers can post whatever they like about a company or its products, whether their opinions are positive or negative, true or false. For instance, although companies sometimes force bloggers to remove blogs, readers often create copies of the blog post and spread it across the Internet after the original’s removal. In other cases, a positive review of a good or service posted on a popular blog can result in large increases in sales. Thus, blogs can represent a potent threat or opportunity to marketers.

Rather than trying to eliminate blogs that cast their companies in a negative light, some firms are using their own blogs, or employee blogs, to answer consumer concerns or defend their corporate reputations. Boeing operates a corporate blog to highlight company news and to post correspondence from Boeing enthusiasts from all over the world.41 As blogging changes the face of media, smart companies are using it to build enthusiasm for their products and create relationships with consumers.

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Wikis are websites where users can add to or edit the content of posted articles. One of the best known is Wikipedia, an online encyclopedia with more than 30 million entries in more than 285 languages on nearly every subject imaginable. (Encyclopedia Britannica only has 120,000 entries.)42 Wikipedia is one of the 10 most popular sites on the web, and because much of its content can be edited by anyone, it is easy for online consumers to add detail and supporting evidence and to correct inaccuracies in content. Wikipedia used to be completely open to editing, but in order to stop vandalism, the site had to make some topics off-limits that are now editable only by a small group of experts.

wiki

software that creates an interface that enables users to add or edit the content of some types of websites

Like all digital media, wikis have advantages and disadvantages for companies. Wikis about controversial companies like Walmart and Nike often contain negative publicity, such as about workers’ rights violations. However, monitoring relevant wikis can provide companies with a better idea of how consumers feel about the company or brand. Some companies have also begun to use wikis as internal tools for teams working on projects that require a great deal of documentation.43

There is too much at stake financially for marketers to ignore wikis and blogs. Despite this fact, statistics show that only 34 percent of Fortune 500 companies have a corporate blog.44 Marketers who want to form better customer relationships and promote their company’s products must not underestimate the power of these two media outlets.

Media Sharing

Businesses can also share their corporate messages in more visual ways through media sharing sites. Media sharing sites allow marketers to share photos, videos, and podcasts. Media sharing sites are more limited in scope in how companies interact with consumers. They tend to be more promotional than reactive. This means that while firms can promote their products through videos or photos, they usually do not interact with consumers through personal messages or responses. At the same time, the popularity of these sites provides the potential to reach a global audience of consumers.

Video sharing sites allow virtually anybody to upload videos, from professional marketers at Fortune 500 corporations to the average Internet user. Some of the most popular video sharing sites include YouTube, Vimeo, and Dailymotion. Video sharing sites give companies the opportunity to upload ads and informational videos about their products. A few videos become viral at any given time, and although many of these gain popularity because they embarrass the subject in some way, others reach viral status because people find them entertaining. Viral marketing occurs when a message gets sent from person to person to person. It can be an extremely effective tool for marketers—particularly on the Internet, where one click can send a message to dozens or hundreds of people simultaneously. Marketers are taking advantage of the viral nature of video sharing sites like YouTube, either by creating their own unique videos or advertising on videos that have already reached viral status. For instance, Disney bought Maker Studios, one of the most successful online video companies, in order to target the Millennial generation, a prime group for viral marketing. With more than 5.5 million views on YouTube, Maker Studios seems a promising acquisition to put Disney at a significant competitive advantage in this arena.45

viral marketing

a marketing tool that uses the Internet, particularly social networking and video sharing sites, to spread a message and create brand awareness

Images

Flickr is a popular photo sharing site. Marketers can use Flickr to post photos of products or company activities.

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Businesses have also begun to utilize consumer-generated video content, saving money they would have spent on hiring advertising firms to develop professional advertising campaigns. GoPro was transformed from a small camera firm into a successful company due to the videos consumers took of themselves using GoPro cameras. The company is partnering with YouTube to create its own network for consumer-generated GoPro videos.46 Marketers believe consumer videos appear more authentic and create enthusiasm for the product among consumer participants.

Photo sharing sites allow users to upload and share their photos and short videos with the world. Well-known photo sharing sites include Instagram, Imgur, Shutterfly, Photobucket, and Flickr. Flickr is owned by Yahoo! and is one of the most popular photo sharing sites on the Internet. A Flickr user can upload images, edit them, classify the images, create photo albums, and share photos with friends without having to e-mail bulky image files or send photos through the mail. However, Instagram has surpassed Flickr as the most popular photo sharing site. Instagram is a mobile application that allows users to make their photos look dreamy or retrospective with different tints and then share them with their friends.47 The Eddie Bauer website has an icon on its main website that will take users to its Instagram stream.48 To compete against Twitter’s short-form video service Vine, Facebook has added 13 filters for video to the Instagram app.49 With more and more people using mobile apps or accessing the Internet through their smartphones, the use of photo sharing through mobile devices is likely to increase.

Other sites are emerging that take photo sharing to a new level. Pinterest is a photo sharing bulletin board site that combines photo sharing with elements of bookmarking and social networking. Users can share photos and images among other Internet users, communicating mostly through images that they “pin” to their boards. Other users can “repin” these images to their boards, follow each other, “like” images, and make comments. Marketers have found that an effective way of marketing through Pinterest is to post images conveying a certain emotion that represents their brand.50

Photo sharing represents an opportunity for companies to market themselves visually by displaying snapshots of company events, company staff, and/or company products. Nike, Audi, and MTV have all used Instagram in digital marketing campaigns. Whole Foods has topic boards on Pinterest featuring recipes, farm scenes, and more to reinforce its brand image.51 Zales Jewelers has topic boards on Pinterest featuring rings as well as other themes of love, including songs, wedding cake, and wedding dresses.52 Virgin Mobile has a Flickr photo stream that features photos of company events such as product launches.53 Many businesses with pictures on Flickr have a link connecting their Flickr photo streams to their corporate websites.54

Podcasts are audio or video files that can be downloaded from the Internet via a subscription that automatically delivers new content to listening devices or personal computers. Podcasting offers the benefit of convenience, giving users the ability to listen to or view content when and where they choose. It is estimated that approximately 39 million U.S. consumers download podcasts every month. The markets podcasts reach are ideal for marketers, especially the 18–34 demographic, which includes the young and the affluent.55 For instance, the podcast Mad Money, hosted by Jim Cramer, gives investment advice and teaches listeners how to analyze stocks and other financial instruments. These are important topics for young adults who do not have much investment experience.56

podcast

an audio or video file that can be downloaded from the Internet with a subscription that automatically delivers new content to listening devices or personal computers

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Responding to Business ChallengesImages

Smirnoff’s Mixhibit: An Example of Ethical Digital Marketing

Smirnoff Vodka is taking digital marketing to a new level. The company has developed Mixhibit, a mobile application allowing users to create short videos made up of snapshots from various social networking platforms. Users can scour their Facebook, Twitter, Instagram, and Foursquare profiles for photos and posts they want to include in their video. Then they can set the motion picture to music with any one of the 10,000 tracks available on the app. The goal of Mixhibit is to generate global consumer participation with the brand that extends beyond liking, following, and sharing—such activities are passive and do not optimize consumer participation. Mixhibit brings the physical world in closer contact with the digital world, which is a more realistic form of consumer participation.

Smirnoff is the top global seller of vodka in value and volume. As a major player in 133 countries, it is gaining traction in developing economies. The use of social networking is a way to include participants on a global scale and get them involved together in the physical world. The influence Smirnoff holds comes with two major responsibilities in marketing, however. First, it has an economic responsibility not to become complacent in its success. Despite its number-one status around the world, Smirnoff must be sensitive to environmental changes. Mixhibit achieves this goal by keeping the brand fresh and interesting to customers. Second, Smirnoff has a sociocultural and legal responsibility to market only to those who are of legal drinking age.57

Discussion Questions

1.How is Smirnoff Vodka using digital marketing to encourage consumer participation?

2.How do you think the Mixhibit app helps to keep the firm from becoming complacent in its success?

3.Are there any risks associated with promoting the Mixhibit app? If so, how can Smirnoff Vodka overcome them?

As podcasting continues to catch on, radio stations and television networks like CBC Radio, NPR, MSNBC, and PBS are creating podcasts of their shows to profit from this growing trend. Many companies hope to use podcasts to create brand awareness, promote their products, and encourage customer loyalty.

Virtual Worlds

Games and programs allowing viewers to develop avatars that exist in an online virtual world have exploded in popularity in the 21st century. Virtual worlds include Second Life, Everquest, Sim City, and the role-playing game World of Warcraft. These sites can be described as social networks with a twist. Virtual realities are three-dimensional, user-created worlds that have their own currencies, lands, and residents that come in every shape and size. Internet users who participate in virtual realities such as Second Life choose a fictional persona, called an avatar. Residents of Second Life connect with other users, purchase goods with virtual Linden dollars (convertible to real dollars), and even own virtual businesses. For entertainment purposes, residents can shop, attend concerts, or travel to virtual environments—all while spending real money. Farmville provides a similar virtual world experience, except it is limited to life on a farm.

Real-world marketers and organizations have been eager to capitalize on the popularity of virtual gaming sites. MediaSpike specializes in placing brands into mobile games. Geico Powersports and Mountain Dew are two brands that have worked with MediaSpike to appear in mobile games.58 Other businesses are looking toward virtual worlds to familiarize consumers with their goods and services. For instance, McDonald’s partnered with the virtual gaming site Zynga to bring its virtual store and brand to Zynga’s popular virtual gaming site Cityville.59

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FIGURE 13.2Smartphone Ownership by Age and Income

Images

Based on percentage within each age/income group who own a smartphone.

Source: Pew Research Center’s Internet & American Life Project, April 17-May 19, 2013, Tracking Survey. Interviews were conducted in English and Spanish and on land-line and cell phones. Margin of error is +/-2.3 percentage points based on adults (n = 2,252).

Mobile Marketing

As digital marketing becomes increasingly sophisticated, consumers are beginning to utilize mobile devices like smartphones as a highly functional communication method. The iPhone and iPad have changed the way consumers communicate, and a growing number of travelers are using their smartphones to find online maps, travel guides, and taxis. In industries such as hotels, airlines, and car rental agencies, mobile phones have become a primary method for booking reservations and communicating about services. They can act as airline boarding passes, GPS devices, and even hotel room keys. Other marketing uses of mobile phones include sending shoppers timely messages related to discounts and shopping opportunities.60 Figure 13.2 breaks down smartphone usage by age and income. Mobile marketing is exploding—marketers are estimated to spend $31.45 billion on mobile marketing in 2014.61 To avoid being left behind, brands must recognize the importance of mobile marketing.

E-commerce sales on smartphones is also rapidly growing. Sales are estimated to reach $638 billion by 2018.62 This makes it essential for companies to understand how to use mobile tools to create effective campaigns. Some of the more common mobile marketing tools include the following:

•SMS messages: SMS messages are text messages of 160 words or less. SMS messages have been an effective way to send coupons to prospective customers.63

•Multimedia messages: Multimedia messaging takes SMS messaging a step further by allowing companies to send video, audio, photos, and other types of media over mobile devices. Gap used Instagram Direct as the outlet for their “What I Wore Today (#WIWT)” campaign, allowing users to win a Gap denim tablet case.64

•Mobile advertisements: Mobile advertisements are visual advertisements that appear on mobile devices. Companies might choose to advertise through search engines, websites, or even games accessed on mobile devices. Marketers spent approximately $3 billion within a six-month period on mobile advertising.65

•Mobile websites: Mobile websites are websites designed for mobile devices. Mobile devices constitute one-third of web traffic.66

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•Location-based networks: Location-based networks are built for mobile devices. One of the most popular location-based networks is Foursquare, which lets users check in and share their location with others. Foursquare partnered with Visa and MasterCard to offer discounts at participating retailers, including Dunkin’ Donuts and Burger King.67

•Mobile applications: Mobile applications (known as apps) are software programs that run on mobile devices and give users access to certain content.68 Businesses release apps to help consumers access more information about their company or to provide incentives. Apps are discussed in further detail in the next section.

Applications and Widgets

Applications are adding an entirely new layer to the marketing environment, as approximately half of all American adult cell phone users have applications on their mobile devices.69 The most important feature of apps is the convenience and cost savings they offer to the consumer. Certain apps allow consumers to scan a product’s barcode and then compare it with the prices of identical products in other stores. Mobile apps also enable customers to download in-store discounts. As of 2014, an estimated 58 percent of American adults have smartphones, so businesses cannot afford to miss out on the chance to profit from these new trends.70

To remain competitive, companies are beginning to use mobile marketing to offer additional incentives to consumers. Starwood Hotels & Resorts Worldwide developed an app customers can use to research their travel location straight from their smartphones and receive discounts and personalized incentives. Starwood Hotels believes the app will enhance customer relationships, thereby increasing customer loyalty.71 Another application that marketers are finding useful is the QR scanning app. QR codes are black-and-white squares that sometimes appear in magazines, posters, and storefront displays. Smartphone users who have downloaded the QR scanning application can open their smartphones and scan the code, which contains a hidden message accessible with the app. The QR scanning app recognizes the code and opens the link, video, or image on the phone’s screen. Marketers are using QR codes to promote their companies and offer consumer discounts.72

Mobile payments are also gaining traction, and companies like Google are working to capitalize on this opportunity.73 Google Wallet is a mobile app that stores credit card information on the smartphone. When the shopper is ready to check out, he or she can tap the phone at the point of sale for the transaction to be registered.74 Square is a company launched by Twitter co-founder Jack Dorsey. The company provides organizations with smartphone swiping devices for credit cards as well as tablets that can be used to tally purchases. A newer service called Square Cash is enabling users to send up to $2,500 digitally through e-mail.75 Bitcoin is a virtual peer-to-peer currency that can be used to make a payment via smartphone. Smaller organizations have begun to accept Bitcoin at some of their stores. Virtual currency exchanges have run into legal issues, however, due to state money-transmission laws. Bitcoin also fluctuates in value, making it risky for companies to hold onto the virtual currency for long periods.76 It is not backed by a central bank and its software is run on a network of volunteers’ computers. Bitcoin is being increasingly accepted among officials, and Germany has recognized it as a unit of account.77 However, a recent scandal has caused some to question Bitcoin’s use. Mt. Gox, a Bitcoin exchange, reportedly lost hundreds of thousands of Bitcoins amounting to $620 million in value. A lawsuit has been filed, and Mt. Gox declared bankruptcy.78 The success of mobile payments in revolutionizing the shopping experience will largely depend upon retailers to adopt this payment system, but companies such as Starbucks are already jumping at the opportunity.

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Widgets are small bits of software on a website, desktop, or mobile device that perform a simple purpose, such as providing stock quotes or blog updates. Marketers might use widgets to display news headlines, clocks, or games on their web pages.79 Widgets have been used by companies such as A&E Television Network as a form of viral marketing—users can download the widget and send it to their friends with a click of a button.80 Widgets downloaded to a user’s desktop can update the user on the latest company or product information, enhancing relationship marketing between companies and their fans. Hotels, restaurants, and other tourist locations can download TripAdvisor widgets to their websites. These widgets display the latest company reviews, rewards, and other TripAdvisor content directly to the company’s website.81 Widgets are an innovative digital marketing tool to personalize web pages, alert users to the latest company information, and spread awareness of the company’s products.

Using Digital Media to Reach Consumers

We’ve seen that customer-generated communications and digital media connect consumers as never before. These connections let consumers share information and experiences without company interference so they get more of the “real story” on a product or company feature. In many ways, these media take some of the professional marketer’s power to control and dispense information and place it in the hands of the consumer.

However, this shift does not have to spell doom for marketers, who can choose to utilize the power of the consumer and Internet technology to their advantage. While consumers use digital media to access more product information, marketers can use the same sites to get better and more targeted information about the consumer—often more than they could gather through traditional marketing venues. Marketers increasingly use consumer-generated content to aid their own marketing efforts, even going so far as to incorporate Internet bloggers in their publicity campaigns. Finally, marketers are also beginning to use the Internet to track the success of their online marketing campaigns, creating an entirely new way of gathering marketing research.

The challenge for digital media marketers is to constantly adapt to new technologies and changing consumer patterns. Unfortunately, the attrition rate for digital media channels is very high, with some dying off each year as new ones emerge. As time passes, digital media are becoming more sophisticated so as to reach consumers in more effective ways. Those that are not able to adapt and change eventually fail.

Images

The use of mobile coupons is increasing. Consumers appreciate these types of coupons for their convenience. Retailers like mobile coupons because they save money from having to print and distribute them.

Charlene Li and Josh Bernoff of Forrester Research, a technology and market research company, emphasize the need for marketers to understand these changing relationships in the online media world. By grouping consumers into different segments based on how they utilize digital media, marketers can gain a better understanding of the online market and how best to proceed.82

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TABLE 13.2Social Technographics

Creators Publish a blog

Publish personal web pages

Upload original video

Upload original audio/music

Write articles or stories and post them

Conversationalists Update status on social networking sites

Post updates on Twitter

Critics Post ratings/reviews of products or services

Comment on someone else’s blog

Contribute to online forums

Contribute to/edit articles in a wiki

Collectors Use RSS feeds

Add tags to web pages or photos

“Vote” for websites online

Joiners Maintain profile on a social networking site

Visit social networking sites

Spectators Read blogs

Watch video from other users

Listen to podcasts

Read online forums

Read customer ratings/reviews

Inactives None of the activities

Source: Charlene Li and Josh Bernoff, Groundswell (Boston: Harvard Business Press, 2008), p. 43. “Forrester Unveils New Segment of Social Technographics—The Conversationalists,”360 Digital Connections, January 21, 2010, http://blog.360i.com/social-media/forrester-new-segment-social-technographics-conversationalists (accessed May 19, 2014).

Table 13.2 shows seven ways that Forrester Research groups consumers based on their Internet activity (or lack thereof). The categories are not mutually exclusive; online consumers can participate in more than one at a time.

Creators are consumers who create their own media outlets, such as blogs, podcasts, consumer-generated videos, and wikis.83 Consumer-generated media are increasingly important to online marketers as a conduit for addressing consumers directly. The second group of Internet users is conversationalists. Conversationalists regularly update their Twitter feeds or status updates on social networking sites. Although they are less involved than creators, conversationalists spend time at least once a week (and often more) on digital media sites posting updates.84 The third category, critics, consists of people who comment on blogs or post ratings and reviews on review websites such as Yelp. Because many online shoppers read ratings and reviews to aid their purchasing decisions, critics should be a primary component in a company’s digital marketing strategy. The next category is collectors. They collect information and organize content generated by critics and creators.85 Because collectors are active members of the online community, a company story or site that catches the eye of a collector is likely to be posted, discussed on collector sites, and made available to other online users looking for information.

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Entrepreneurship in ActionImages

Fab.com: How an e-Business Generated Growth through Digital Marketing

Fab.com

Founders: Bradford Shelhammer and Jason Goldberg

Founded: 2011, in Manhattan

Success: This online retailer has 20,000 designers selling through its site and a valuation of $1 billion after only two years in business.

Fab.com understands the value of digital marketing. When founders Bradford Shellhammer and Jason Goldberg launched Fab.com, an e-business retailer selling designer-made products, they saw an opportunity to inspire word-of-mouth promotion. In order to build their user base, Shelhammer and Goldberg used sites such as Facebook, Twitter, and Pinterest to encourage people to post designs they liked on Fab.com. They also bought advertisements on Facebook for flash sales, where items are offered at a discount price for the first week they are sold on Fab.com. These tactics generated buzz and worked as a word-of-mouth marketing tool in the social media realm. By the time Fab.com launched, it had 175,000 members, and each of those members had invited approximately three friends to view the site. The company estimates that 30,000 of the 175,000 members joined as a result of its social media ads. Goldberg continues to measure social media marketing and constantly blogs about the company.86

Joiners include all who become users of Twitter, Facebook, or other social networking sites. It is not unusual for consumers to be members of several social networking sites at once. Joiners use these sites to connect and network with other users, but as we’ve seen, marketers too can take significant advantage of these sites to connect with consumers and form customer relationships.87 The last two segments are Spectators and Inactives. Spectators, who read online information but do not join groups or post anywhere, are the largest group in most countries. Inactives are online users who do not participate in any digital online media, but their numbers are dwindling.

Marketers need to consider what proportion of online consumers are creating, conversing, rating, collecting, joining, or simply reading online materials. As in traditional marketing efforts, they need to know their target market. For instance, where spectators make up the majority of the online population, companies should post their own corporate messages through blogs and websites promoting their organizations.

Using Digital Media to Learn about Consumers

Marketing research and information systems can use digital media and social networking sites to gather useful information about consumers and their preferences. Sites such as Twitter and Facebook can be good substitutes for focus groups. Online surveys can serve as an alternative to mail, telephone, or personal interviews.

Crowdsourcing describes how marketers use digital media to find out the opinions or needs of the crowd (or potential markets). Communities of interested consumers join sites like threadless.com, which designs T-shirts, or crowdspring.com, which creates logos and print and web designs. These companies give interested consumers opportunities to contribute and give feedback on product ideas. Crowd-sourcing lets companies gather and utilize consumers’ ideas in an interactive way when creating new products.

Consumer feedback is an important part of the digital media equation. Ratings and reviews have become exceptionally popular. Online reviews are estimated to influence the buying decisions of approximately 90 percent of U.S. consumers.88 Retailers such as Amazon, Netflix, and Priceline allow consumers to post comments on their sites about the books, movies, and travel arrangements they sell. Today, most online shoppers search the Internet for ratings and reviews before making major purchase decisions.

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Images

About three-quarters of online shoppers read ratings and reviews before making a decision.

While consumer-generated content about a firm can be either positive or negative, digital media forums do allow businesses to closely monitor what their customers are saying. In the case of negative feedback, businesses can communicate with consumers to address problems or complaints much more easily than through traditional communication channels. Yet despite the ease and obvious importance of online feedback, many companies do not yet take full advantage of the digital tools at their disposal.

LO 13-5

Legal and Social Issues in Internet Marketing

The extraordinary growth of information technology, the Internet, and social networks has generated many legal and social issues for consumers and businesses. These issues include privacy concerns, the risk of identity theft and online fraud, and the need to protect intellectual property. The U.S. Federal Trade Commission (FTC) compiles an annual list of consumer complaints related to the Internet and digital media. We discuss these in this section, as well as steps that individuals, companies, and the government have taken to address them.

Privacy

Businesses have long tracked consumers’ shopping habits with little controversy. However, observing the contents of a consumer’s shopping cart or the process a consumer goes through when choosing a box of cereal generally does not result in the collection of specific, personally identifying data. Although using credit cards, shopping cards, and coupons forces consumers to give up a certain degree of anonymity in the traditional shopping process, they can still choose to remain anonymous by paying cash. Shopping on the Internet, however, allows businesses to track them on a far more personal level, from the contents of their online purchases to the websites they favor. Current technology has made it possible for marketers to amass vast quantities of personal information, often without consumers’ knowledge, and to share and sell this information to interested third parties.

How is personal information collected on the web? Many sites follow users online by storing a “cookie,” or an identifying string of text, on users’ computers. Cookies permit website operators to track how often a user visits the site, what he or she looks at while there, and in what sequence. They also allow website visitors to customize services, such as virtual shopping carts, as well as the particular content they see when they log onto a web page. Users have the option of turning off cookies on their machines, but nevertheless the potential for misuse has left many consumers uncomfortable with this technology.

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Google, Facebook, and other Internet firms have also come under fire for privacy issues. For instance, when Facebook announced it would give teenagers between the ages of 13 and 17 the ability to make their posts public, privacy advocates quickly protested the move.89 Google has been a particular target of privacy advocates. Google has the ability to collect a trove of data on consumers who use its various services. Although Google has attempted to develop a “slider” tool that would provide users with a greater ability to control the data collected about them, the tool was abandoned after it was deemed too difficult to implement. However, past privacy snafus have caused Google to make Internet privacy a major priority. For instance, its Google Now product—a new tool that provides information to people before they search for it—underwent many legal and privacy hurdles before its final development. The European Union has been particularly cautious regarding the collection of user data and has instituted more restrictive regulations to control how much data these Internet firms can gather.90

Due to consumer concerns over privacy, the Federal Trade Commission (FTC) is considering developing regulations that would better protect consumer privacy by limiting the amount of consumer information that businesses can gather online. Other countries are pursuing similar actions. The European Union passed a law requiring companies to get users’ consent before using cookies to track their information. In the United States, one proposed solution for consumer Internet privacy is a “do not track” bill, similar to the “do not call” bill for telephones, to allow users to opt out of having their information tracked.91 While consumers may welcome such added protections, web advertisers, who use consumer information to better target advertisements to online consumers, see it as a threat. In response to impending legislation, many web advertisers are attempting self-regulation in order to stay ahead of the game. For instance, the Interactive Advertising Board is encouraging its members to adopt a do-not-track icon that users can click on to avoid having their online activity tracked. However, it is debatable whether members will choose to participate or honor users’ do-not-track requests.92

Identity Theft

Identity theft occurs when criminals obtain personal information that allows them to impersonate someone else in order to use the person’s credit to access financial accounts and make purchases. This requires organizations to implement increased security measures to prevent database theft. As you can see in Figure 13.3, the most common complaints relate to government documents/benefits fraud, followed by credit card fraud, utility fraud, bank fraud, employment fraud, and loan fraud.

identity theft

when criminals obtain personal information that allows them to impersonate someone else in order to use their credit to access financial accounts and make purchases

The Internet’s relative anonymity and speed make possible both legal and illegal access to databases storing Social Security numbers, drivers’ license numbers, dates of birth, mothers’ maiden names, and other information that can be used to establish a credit card or bank account in another person’s name in order to make fraudulent transactions. One growing scam used to initiate identity theft fraud is the practice of phishing, whereby con artists counterfeit a well-known website and send out e-mails directing victims to it. There visitors find instructions to reveal sensitive information such as their credit card numbers. Phishing scams have faked websites for PayPal, AOL, and the Federal Deposit Insurance Corporation.

Some identity theft problems are resolved quickly, while other cases take weeks and hundreds of dollars before a victim’s bank balances and credit standings are restored. To deter identity theft, the National Fraud Center wants financial institutions to implement new technologies such as digital certificates, digital signatures, and biometrics—the use of fingerprinting or retina scanning.

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FIGURE 13.3Main Sources of Identity Theft

Images

Source: Federal Trade Commission, “Consumer Sentinel Network Data Book: January–December 2013,” February 2014, www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-january-december-2013/sentinel-cy2013.pdf (accessed May 19, 2014).

Online Fraud

Online fraud includes any attempt to conduct fraudulent activities online, such as by deceiving consumers into releasing personal information. It is becoming a major source of frustration among users of social networking sites, because cybercriminals are finding new ways to use sites like Facebook and Twitter to commit fraudulent activities. Twitter has experienced an influx of fake Twitter accounts to try to boost publicity. A celebrity, for instance, might pay somebody to rebroadcast their tweets on a number of fake Twitter accounts. It is estimated that between 5 and 9 percent of Twitter accounts could be fake. While these accounts might not be used to solicit money or harm users directly, they are used for the express purpose of deceiving users.93 Mobile payments are another concern. Perhaps the most disturbing is the practice of using social networking sites to pose as charitable institutions or victims of natural disasters. A good method for people to avoid getting scammed through social media sites is to research charities before giving.

online fraud

any attempt to conduct fraudulent activities online

In another case, 1.5 million Europeans who had enrolled in customer-loyalty programs found that their personal data had been stolen. Although these consumers dealt with a number of different websites, these websites were all linked by a loyalty program management firm in Ireland.94 Privacy advocates advise that the best way to stay out of trouble is to avoid giving out personal information, such as Social Security numbers or credit card information, unless the site is definitely legitimate.

Intellectual Property

In addition to protecting personal privacy, Internet users and others want to protect their rights to property they may create, including songs, movies, books, and software. Such intellectual property consists of the ideas and creative materials developed to solve problems, carry out applications, and educate and entertain others.

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Although intellectual property is generally protected by patents and copyrights, each year losses from the illegal copying of computer programs, music, movies, compact discs, and books reach billions of dollars in the United States alone. This has become a particular problem with digital media sites. YouTube has often faced lawsuits on intellectual property infringement. With millions of users uploading content to YouTube, it can be hard for Google to monitor and remove all the videos that may contain copyrighted materials.

Images

The file-sharing protocol BitTorrent allows users to share and download files. The U.S. Copyright Group obtained the IP addresses of users who downloaded specific movies using BitTorrent technology and are taking action against thousands of BitTorrent users for illegally downloading protected content.

Illegal sharing of content is another major intellectual property problem. Consumers rationalize the pirating of software, videogames, movies, and music for a number of reasons. First, many feel they just don’t have the money to pay for what they want. Second, because their friends engage in piracy and swap digital content, some users feel influenced to engage in this activity. Others enjoy the thrill of getting away with something with a low risk of consequences. And finally, some people feel being tech-savvy allows them to take advantage of the opportunity to pirate content.95

The software industry loses more than $63 billion globally each year due to theft and illegal use of software products, according to the Business Software Alliance.96 About 90 percent of illegal software copying is actually done by businesses. For example, a firm may obtain a license to install a specific application on 100 of its computers but actually installs it on 300. In some cases, software is illegally made available through the Internet by companies that have taken the software from the producer and set up their own distribution system.

Digital Media’s Impact on Marketing

To be successful in business, you need to know much more than how to use a social networking site to communicate with friends. Developing a strategic understanding of how digital marketing can make business more efficient and productive is increasingly necessary. If you are thinking of becoming an entrepreneur, then the digital world can open doors to new resources and customers. Smartphones, mobile broadband, and webcams are among the tools that can make the most of an online business world, creating greater efficiency at less cost. For example, rather than using traditional phone lines, Skype helps people make and receive calls via the Internet and provides free video calling and text messaging for about 10 percent of the cost of a land line.97 It is up to businesses and entrepreneurs to develop strategies that achieve business success using existing and future technology, software, and networking opportunities.

Traditional businesses accustomed to using print media can find the transition to digital challenging. New media may require employees with new skills or additional training for current employees. There is often a gap between technical knowledge of how to develop sites and how to develop effective digital marketing strategies to enhance business success. Determining the correct blend of traditional and new media requires careful consideration; the mix will vary depending on the business, its size, and its target market. Future career opportunities will require skills in both traditional and digital media areas so that marketers properly understand and implement marketing strategies that help businesses achieve a competitive advantage.

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So You Want to Be a Digital Marketer

The business world has grown increasingly dependent on digital marketing to maintain communication with stakeholders. Reaching customers is often a major concern, but digital marketing can also be used to communicate with suppliers, concerned community members, and special interest groups about issues related to sustainability, safety practices, and philanthropic activities. Many types of jobs exist: account executive directors of social media and director of marketing for digital products, as well as digital advertisers, online marketers, global digital marketers, and brand managers are prominently listed on career opportunity websites.

Entrepreneurs are taking advantage of the low cost of digital marketing, building social networking sites to help market their products. In fact, some small businesses such as specialty publishing, personal health and beauty, and other specialty products can use digital marketing as the primary channel for reaching consumers. Many small businesses are posting signs outside their stores with statements such as “Follow us on Twitter” or “Check out our Facebook page.”

To utilize digital marketing, especially social networking, requires more than information technology skills related to constructing websites, graphics, videos, podcasts, etc. Most importantly, one must be able to determine how digital media can be used in implementing a marketing strategy. All marketing starts with identifying a target market and developing a marketing mix to satisfy customers. Digital marketing is just another way to reach customers, provide information, and develop relationships. Therefore, your opportunity for a career in this field is greatly based on understanding the messages, desired level of interactivity, and connectivity that helps achieve marketing objectives.

As social media use skyrockets, digital marketing professionals will be in demand. The experience of many businesses and research indicate digital marketing is a powerful way to increase brand exposure and generate traffic. In fact, a study conducted on Social Media Examiner found that 85 percent of marketers surveyed believe generating exposure for their business is their number-one advantage in Internet marketing. As consumers use social networking for their personal communication, they will be more open to obtaining information about products through this channel. Digital marketing could be the fastest-growing opportunity in business.

To prepare yourself for a digital marketing career, learn not only the technical aspects, but also how social media can be used to maximize marketing performance. A glance at career-builder.com indicates that management positions such as account manager, digital marketing manager, and digital product manager can pay from $60,000 to $170,000 or more per year.

Review Your Understanding image

Define digital media and digital marketing, and recognize their increasing value in strategic planning.

Digital media are electronic media that function using digital codes and are available via computers, cellular phones, smartphones, and other digital devices. Digital marketing refers to the strategic process of distributing, promoting, pricing products, and discovering the desires of customers in the virtual environment of the Internet. Because they can enhance the exchange of information between the marketer and the customer, digital media have become an important component of firms’ marketing strategies.

Demonstrate the role of digital marketing and social networking in today’s business environment.

Digital communication facilitates marketing research and lowers the cost of communication and consumer service and support. Through websites, social networks, and other digital media, consumers can learn about everything they purchase and use in life and businesses can reach new markets through inexpensive and interactive communication channels. Social networking is expanding so fast that no business can ignore its impact on customer relationships.

Show how digital media affect the marketing mix.

The ability to process orders electronically and increase the speed of communications via the Internet has reduced many distribution inefficiencies, costs, and redundancies while increasing speed throughout the marketing channel. Digital media help firms increase brand awareness, connect with consumers, form relationships, and spread positive publicity about their products. Because consumers are more informed than ever and consumer consumption patterns are changing, marketers must adapt their promotional efforts. The Internet gives consumers access to more information about costs and prices.

Define social networking, and illustrate how businesses can use different types of social networking media.

Social networking occurs when online consumers interact with other users on a web-based platform to discuss or view topics of interest. Types of social networking media include social networking sites, blogs, wikis, media sharing sites, virtual reality sites, mobile marketing, mobile applications, and widgets.

Blogs not only give consumers power but also allow companies to answer consumer concerns and obtain free publicity. Wikis give marketers a better understanding of how consumers feel about their companies. Photo sharing sites enable companies to share images of their businesses or products with consumers and often have links that connect users to company-sponsored blogs. Video sharing is allowing many businesses to engage in viral marketing. Amateur filmmakers are also becoming a potential low-cost, effective marketing venue for companies. Podcasts are audio or video files that can be downloaded from the Internet with a subscription that automatically delivers new content to listening devices or personal computers.

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Marketers have begun joining and advertising on social networking sites like Facebook and Twitter due to their global reach. Virtual realities can be fun and creative ways to reach consumers, create brand loyalty, and use consumer knowledge to benefit companies. Mobile marketing includes advertising, text messages, and other types of digital marketing through mobile devices. Mobile apps can be anything from games, to news updates, to shopping assistance. They provide a way for marketers to reach consumers via their cell phones. Apps can help consumers to perform services and make purchases more easily, such as checking in at a hotel or comparing and contrasting the price of appliances or a new dress. Widgets are small bits of software on a website, desktop, or mobile device. They can be used to inform consumers about company updates and can easily go viral.

Identify legal and ethical considerations in digital media.

Increasing consumer concerns about privacy are prompting the FTC to look into regulating the types of information marketers can gather from Internet users, while many web advertisers and trade groups try to engage in self-regulation to prevent the passage of new Internet privacy laws. Online fraud includes any attempt to conduct fraudulent activities online. Intellectual property losses cost the United States billions of dollars and have become a particular problem for sites such as YouTube, which often finds it hard to monitor the millions of videos uploaded to its site for copyright infringement.

Based on the material in this chapter, you should be able to answer the questions posed in “Solve the Dilemma” on page 416 and evaluate where the company’s marketing strategy has failed. How could Paul utilize new digital media to help promote his product and gather data on how to improve it?

Revisit the World of Business image

1.How are multinational companies using Chinese microblogging sites to reach consumers?

2.Why do you think Sina Weibo is a good platform for digital marketing in China?

3.Twitter is currently blocked in China. How do you think the success of Sina Weibo may affect Twitter if it is eventually able to enter the country?

Learn the Terms image

blog

digital marketing

digital media

e-business

identity theft

online fraud

podcast

social network

viral marketing

wiki

Check Your Progress image

1.What is digital marketing?

2.How can marketers utilize digital media to improve business?

3.Define accessibility, addressability, connectivity, interactivity, and control. What do these terms have to do with digital marketing?

4.What is e-business?

5.How is the Internet changing the practice of marketing?

6.What impact do digital media have on the marketing mix?

7.How can businesses utilize new digital and social networking channels in their marketing campaigns?

8.What are some of the privacy concerns associated with the Internet and e-business? How are these concerns being addressed in the United States?

9.What is identity theft? How can consumers protect themselves from this crime?

10.Why do creators want to protect their intellectual property? Provide an example on the Internet where intellectual property may not be protected or where a copyright has been infringed.

Page 416

Get Involved image

1.Amazon.com is one of the most recognized e-businesses. Visit the site (www.amazon.com) and identify the types of products the company sells. Explain its privacy policy.

2.Visit some of the social networking sites identified in this chapter. How do they differ in design, audience, and features? Why do you think some social networking sites like Facebook are more popular than others?

3.It has been stated that digital technology and the Internet are to business today what manufacturing was to business during the Industrial Revolution. The technology revolution requires a strategic understanding greater than learning the latest software and programs or determining which computer is the fastest. Leaders in business can no longer delegate digital media to specialists and must be the connectors and the strategists of how digital media will be used in the company. Outline a plan for how you will prepare yourself to function in a business world where digital marketing knowledge will be important to your success.

Build Your Skills image

Planning a Digital Marketing and Social Networking Site

image

Background

Many companies today utilize digital media in a way that reflects their images and goals. They can also help to improve customer service, loyalty, and satisfaction while reaching out to new target markets. Companies use these sites in a variety of ways, sometimes setting up Facebook pages or Twitter accounts to gather customer feedback, to promote new products, or even to hold competitions.

The U.S. economy has experienced many ups and downs in recent decades, but e-commerce has been an area that has continued to grow throughout economic ups and downs. Many dot-com companies and social networking sites have risen and collapsed. Others such as Amazon.com, eBay, Facebook, and Twitter have not only survived, but thrived. Many that succeed are “niche players”; that is, they cater to a very specific market that a brick-and-mortar business (existing only in a physical marketplace) would find hard to reach. Others are able to compete with brick-and-mortar stores because they offer a wider variety of products, lower prices, or better customer service. Many new digital media outlets help companies compete on these fronts.

As a manager of Biodegradable Packaging Products Inc., a small business that produces packaging foam from recycled agricultural waste (mostly corn), you want to expand into e-business by using digital media to help market your product. Your major customers are other businesses and could include environmentally friendly companies like Tom’s of Maine (natural toothpaste) and Celestial Seasonings (herbal tea). Your first need is to develop a social networking site or blog that will help you reach your potential customers. You must decide who your target market is and which medium will attract it the best.

Task

Plan a digital media marketing campaign using online social networking sites, blogs, or another digital media outlet using the template below.

Social networking/blog/other site: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Overall image and design of your site: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Strategy for attracting followers to your site: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Potential advertising partners to draw in more customers: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Solve the Dilemma LO 13-6 image

Developing Successful Freeware

image

Paul Easterwood, a recent graduate of Colorado State University with a degree in computer science, entered the job market during a slow point in the economy. Tech sector positions were hard to come by, and Paul felt he wouldn’t be making anywhere near what he was worth. The only offer he received was from an entrepreneurial firm, Pentaverate Inc., that produced freeware. Freeware, or public domain software, is offered to consumers free of charge in exchange for revenues generated later. Makers of freeware (such as Adobe and Netscape) can earn high profits through advertisements their sites carry, from purchases made on the freeware site, or, for more specialized software, through fee-based tutorials and workshops offered to help end users. Paul did some research and found an article in Worth magazine documenting the enormous success of freeware.

Pentaverate Inc. offered compensation mainly in the form of stock options, which had the potential to be highly profitable if the company did well. Paul’s job would be to develop freeware that people could download from the Internet and that would generate significant income for Pentaverate. With this in mind, he decided to accept the position, but he quickly realized he knew very little about business. With no real experience in marketing, Paul was at a loss to know what software he should produce that would make the company money. His first project, IOWatch, was designed to take users on virtual tours of outer space, especially the moons of Jupiter (Paul’s favorite subject), by continually searching the Internet for images and video clips associated with the cosmos and downloading them directly to a PC. The images would then appear as soon as the person logged on. Advertisements would accompany each download, generating income for Pentaverate.

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However, IOWatch experienced low end-user interest and drew little advertising income as a result. Historically at Pentaverate, employees were fired after two failed projects. Desperate to save his job, Paul decided to hire a consultant. He needed to figure out what customers might want so he could design some useful freeware for his second project. He also needed to know what went wrong with IOWatch, because he loved the software and couldn’t figure out why it had failed to find an audience. The job market has not improved, so Paul realizes how important it is for his second project to succeed.

Discussion Questions

1.As a consultant, what would you do to help Paul figure out what went wrong with IOWatch?

2.What ideas for new freeware can you give Paul? What potential uses will the new software have?

3.How will it make money?

Build Your Business Plan image

Digital Marketing and Social Networking

image

If you are considering developing a business plan for an established good or service, find out whether it is currently marketed digitally. If it is not, think about why that is the case. Can you think of how you might overcome any obstacles and engage in digital marketing on the Internet?

If you are thinking about introducing a new good or service, now is the time to think about whether you might want to market this product on the Internet. Remember, you do not have to have a brick-and-mortar store to open your own business anymore. Perhaps you might want to consider click instead of brick!

See for Yourself Videocase image

Should Employees Use Social Media Sites at Work?

image

As Facebook and other social media sites have gained popularity and expanded, managing their use at work has become an increasingly hot topic. Studies on the use of social media in the workplace conflict over how much it inhibits productivity. Should employees be allowed to access social media at work? Many offices have banned access to the Facebook site. The results are as mixed as the research. A National Business Ethics Survey (NBES) revealed that 11 percent of employees who engage in social networking are “active” social networkers who spend 30 percent or more of the workday on social networking sites. Many managers are conflicted as to whether this constitutes enough of a problem to be banned outright.

Another study conducted by Nucleus Research (an IT research company) revealed a 1.5 percent loss of productivity for businesses allowing social media access. It found that 77 percent of Facebook users used the site during work for as much as two hours a day; 87 percent of those surveyed admitted they were using social media sites to waste time. NBES also found that active social networkers were more likely to find certain questionable behaviors to be acceptable, such as criticizing the company or its managers on social networking sites. Procter & Gamble realized that many of its employees were using social networking sites for nonwork purposes. Its investigations revealed that employees across the company were watching an average of 50,000 five-minute YouTube videos and listening to 4,000 hours of music on Pandora daily.

However, an outright ban could cause problems. Some younger employees have expressed that they do not want to work for companies without social media access; they view restricting or eliminating access like removing a benefit. Employees at companies with an outright ban often resent the lack of trust associated with such a move and feel that management is censuring their activities. Other employees who use Facebook during their lunch hours or break times may feel that they are being punished because of others’ actions. Additionally, Procter & Gamble uses YouTube and Facebook extensively for marketing purposes. Banning these sites would disrupt the firm’s marketing efforts.

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An Australian study indicates that employees taking time out to pursue Facebook and other social media were actually 9 percent more productive than those who did not. Brent Coker, the study’s author and University of Melbourne faculty member, says people are more productive when they take time to “zone out” throughout the workday. Doing so can improve concentration. Coker’s study focused on those using less than 20 percent of the workday on such breaks, which is less than the amount of time “active” social networkers spend on these sites.

Some companies actually encourage employees to use social networking as part of their integrated marketing strategy. In fact, not having a social media page such as Facebook or LinkedIn might be seen as a missed opportunity for marketing the firm. Even the law industry is starting to use social media on a more daily basis. One study of the top 50 highest ranked law firms in the country determined that 64 percent use Facebook and 90 percent are on Twitter. Approximately 80 percent post something every day or once a week. Although larger law firms tend not to use social media as effectively as smaller law firms, the use of social media to interact with clients is clearly gaining throughout the industry.

Despite the benefits that companies have received from allowing their employees to use social media, many companies have gone ahead with social media bans. Procter & Gamble has restricted the use of Netflix and Pandora, but not Facebook or YouTube. Companies all need to ask, “Can management use social media to benefit the company?” If so, it may be more advantageous to take the risks of employees using social media for personal use if they can also be encouraged to use social networks to publicize their organizations, connect with customers, and view consumer comments or complaints. By restricting social media use, companies may be forfeiting an effective marketing tool.98

Discussion Questions

1.Why do you think results are so mixed on the use of social networking in the workplace?

2.What are some possible upsides to utilizing social media as part of an integrated marketing strategy, especially in digital marketing?

3.What are the downsides to restricting employee access to social networking sites?

You can find the related video in the Video Library in Connect. Ask your instructor how you can access Connect.

Team Exercise image

Develop a digital marketing promotion for a local sports team. Use Twitter, Facebook, and other social networking media to promote ticket sales for next season’s schedule. In your plan, provide specific details and ideas for the content you would use on the sites. Also, describe how you would encourage fans and potential fans o go to your site. How would you use digital media to motivate sports fans to purchase tickets and merchandise and attend games?