2. The New Economy

Outline

- Marketing Challenges;
- Major forces driving the new economy;
- The changes in business and marketing practices;
- The E-Commerce Domains;
- E-Marketing;

Marketing Challenges

- Connecting via technology;
- Connecting with customers more directly, selectively, and in a more lasting way;
- Connecting with marketing partners: Inside partners, outside partners;
- Connecting with the world.

Source: Principles of Marketing by Kotler and Armstrong, the 10th edition.

Connecting with Customers Directly

- Example: Land's End
- 3-D of Virtual Model
Connecting with Marketing Partners

The Major Drivers of the New Economy
- Digitalization
- The Internet Explosion
- Disintermediation and Reintermediation;
- Customization and Customerization;
- Industry Convergence

Buyer Benefits of E-Commerce
- Convenience
- Easy and private
- Greater product access/selection
- Access to comparative information
- Interactive and immediate

Seller Benefits of E-Commerce
- Relationship building
- Reduced costs
- Increased speed and efficiency
- Flexibility
- Global access, global reach
Old Economy vs. New Economy

• Product centered;
• Focus on profitable transactions;
• Marketing does the marketing.

Old Economy vs. New Economy (Cont.)

• Customer-segment centered;
• Focus on customer lifetime value;
• Integrated marketing.

• Branding through ad;
• Focus on customer acquisition;
• No customer satisfaction measurement;
• Overpromise, Underdeliver

• Rational branding;
• Focus on customer retention;
• Measurement on satisfaction and retention rate;
• Underpromise, overdeliver

E-Commerce Domains

<table>
<thead>
<tr>
<th>Targeted to consumers</th>
<th>Targeted to businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiated by businesses</td>
<td>B2C</td>
</tr>
<tr>
<td>Initiated by consumers</td>
<td>C2C</td>
</tr>
</tbody>
</table>

The Impact of B2C Web Sites

• Lower consumer search costs;
• Manufacturers can contact consumers directly;
• More intensive price competition among firms?
• Any online loyalty from customers?
• Disintermediation?
The Impacts of B2B Sites

• More information and lower transaction costs;
• Prices are transparent;
• Buying alliances;
• Differentiation or price competition?
• More efficient markets.

C2B E-Commerce

• Allow consumers to search out sellers, learn about offers, initiate purchase, or dictate purchase terms;
• Some sites facilitate the feedback process between customers and companies.

C2C E-Commerce

• Helping consumers exchange goods or information, e.g., eBay.
• Auction sites facilitate the exchange process;
• Newsgroups / forums

Pure Click Companies

• Search Engines and Portals;
• Internet Service Providers, e.g., AOL
• Commerce Sites, e.g., Amazon, CDNow
• Transaction Sites: eBay and Etrade;
• Content Sites, e.g., New York Times
The Reasons for the failure of many dot-coms

- Low entry barrier and intensive competition;
- Conducting mass marketing;
- Over emphasis on acquisition vs. retention
- Poor web site design / distribution systems
- No sound business model which can deliver profits.

Brick and Click Companies

- Channel conflict was initially a concern;
- E-commerce often created new customers, rather than cannibalizing existing one;
- Many firms now enjoy greater success than their click-only competition. Why?

E-Marketing

- Setting up web sites;
- Placing online ads and promotions;
- Creating or using web community;
- Building a revenue and profit model.

Conducting E-Commerce

**Seven C’s of Web Site Design**

- Context
- Content
- Community
- Communication
- Connection
- Commerce
- Customization
Online Promotional Opportunities

- Websites
- Microsites
- Search ads
- Display ads
- Interstitials
- Internet-specific ads and videos
- Sponsorships
- Alliances and affiliate programs
- Online communities
- Email
- Mobile marketing

Burger King’s Subservient Chicken Microsite

Have it your way.
Viral Marketing

e-Marketing Guidelines

- Give the customer a reason to respond
- Personalize the content of your emails
- Offer something the customer could not get via direct mail
- Make it easy for customers to unsubscribe

Word of Mouth

Earned media

Paid media
Platforms of Social Media

- Online Communities and Forums
- Blogs
- Social Networks

Building a Revenue and Profit Model

- Sponsorship income
- Membership and subscriptions
- Profile income
- Product and service sales
- Advertising income
- Transaction commission and fees
- Referral income