Contents

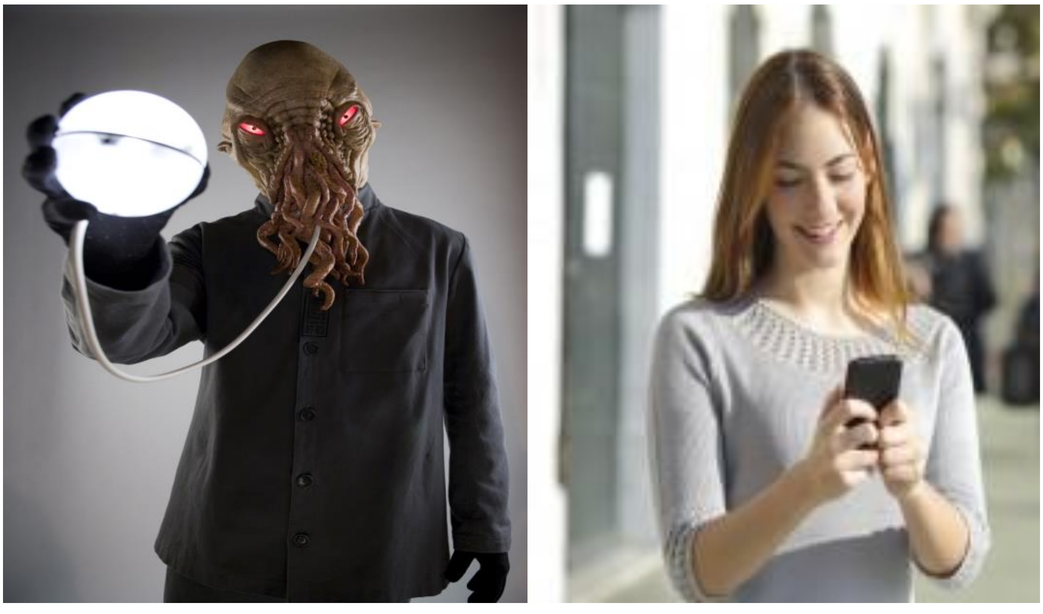
Chapter 4b

Global Digital Transformation: Marketing Implications

1. The Planet of Phones

BBC's Doctor Who is the longest running science fiction television series in the world.[1] In one of its episodes, Doctor Who visits the alien planet of Ood, where fierce looking species are equipped with two brains, one in the head and a secondary brain held in their hands and connected by a cord (Figure 4.1). The science fiction vision dreamt up in the 1960s has become reality. Today, more than 50% of all adults in the world own smartphones. By 2020, as many as 80% of the world's adult population will own smartphones. And these devices can clearly be regarded as secondary brains! In fact, the processing power of smartphones is comparable with the computers used by NASA to send the first men to the moon in 1969. Planet Earth and planet Ood are becoming very similar, although the pictured earthling is arguably better looking than the humanoids from Ood.

Figure 4.1: Planet of Ood and the Planet of Earth



The accelerating speed of technological change, the associated changes in consumer behavior and the innovative marketing responses indicate that we are in the midst of a paradigm shift, which opens up new ways of doing business but also renders many established business models obsolete. Some examples to support this statement: The speed of technological change will lead to a doubling of computing power every two years[2]. Generation Y smartphone users, on average, check their phones every 5.8 minutes.[3] Marketing continuously creates new means to reach, engage and serve customers, be it through pay-per-click internet advertising, social media marketing or electronic sales and distribution platforms. Finally, established ways of doing business are transforming rapidly: Companies distributing music or films via subscription services, for example, are quickly replacing physical downloads and DVD sales.[4] Thus, the digital transformation will ultimately lead to the emergence of entirely new business models that integrate content, communication and commerce.

In this chapter, we look at some key trends through a strategic marketing lens. Below, we start by highlighting a few pertinent technological developments. Next, we discuss important changes in consumer behavior accompanying the digital transformation and look at the most important digital marketing responses. Throughout the discussion, we argue that important differences in the digital development of country markets and regions are likely to prevail for some time and point out some idiosyncrasies relevant for global marketers. Next, we single out some marketing implications accompanying the increased digitalization. The chapter closes with a reminder that the digital paradigm shift we are experiencing goes well beyond the discussed marketing implications, but will lead to fundamental changes in the fabric of our corporate environment and, indeed, to profound changes in our lifestyle.

2. The World is Turning Digital: The Internet of Everything

The "Internet of Everything" is the key phenomenon behind the digital disruption we are experiencing. It refers to the "networked connection of people, processes, data and things."[5] Thus, it is not a single technology, which is at the route of the disruption. Instead, it is the convergence and increasing connectedness of different technological developments, such as ecommerce, cloud computing, big data, robotics, 3D-printing, smartphones and data mining, to name but a few, which drives the digital disruption. The rapidly increasing size of this "Internet of Everything" is difficult to capture. However, Intel predicts that by 2020, there will be some 200 billion connected devices.[6] These range from minute chips to huge machines to entire cities connected via wireless networks. Other indicators of the unprecedented speed of development are predictions that computer power will double every two years, bandwidth will grow by about one-third every year, and there will be a near infinite storage capacity of data through the cloud.[7] Struggling to relate such developments to more conventional pictures, we learn that there will be more words written on Twitter alone in the next two years than contained in all books ever printed,[8] or that more than 400 hours of video are uploaded to YouTube every minute, which is equivalent to 1000 days of video every hour.[9]

A central characteristic of the digital transformation is the ubiquity of the "Internet of Everything." More natural user interfaces, such as touch and voice, replace cumbersome keyboards; wearable technology from glasses to sports shirts, which measure health and performance data become the norm. And of course, more and more devices are connected to the web, be it the refrigerator at home, which initiates automatic reordering of household items, or the basketball or football, that tracks the distance of shots or the speed of kicks during professional matches.

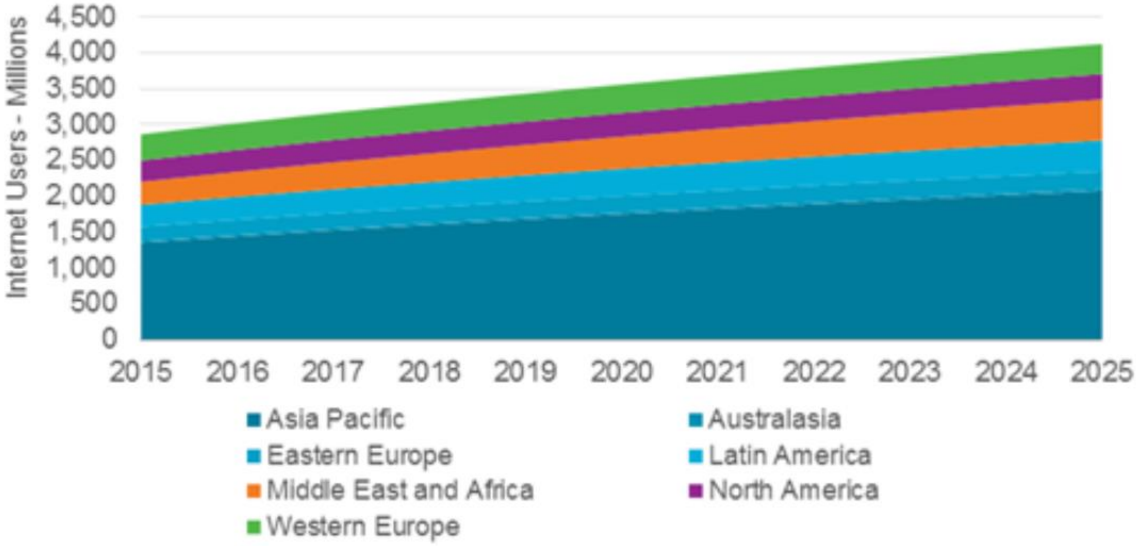
3. The Consumers' Digital Mindset

3.1 Global Internet Use and Retail Sales

As of 2016, about 44% of the global population is using the internet; this represents 3.2 billion people.[10] Until 2024, this number is predicted to increase to just under 4 billion (Figure 4.2).

In 2015, China was the country where the highest absolute number of internet users had bought a product online within the previous month; in fact an estimated 10% of the total Chinese retail sales was conducted online that year.[11]

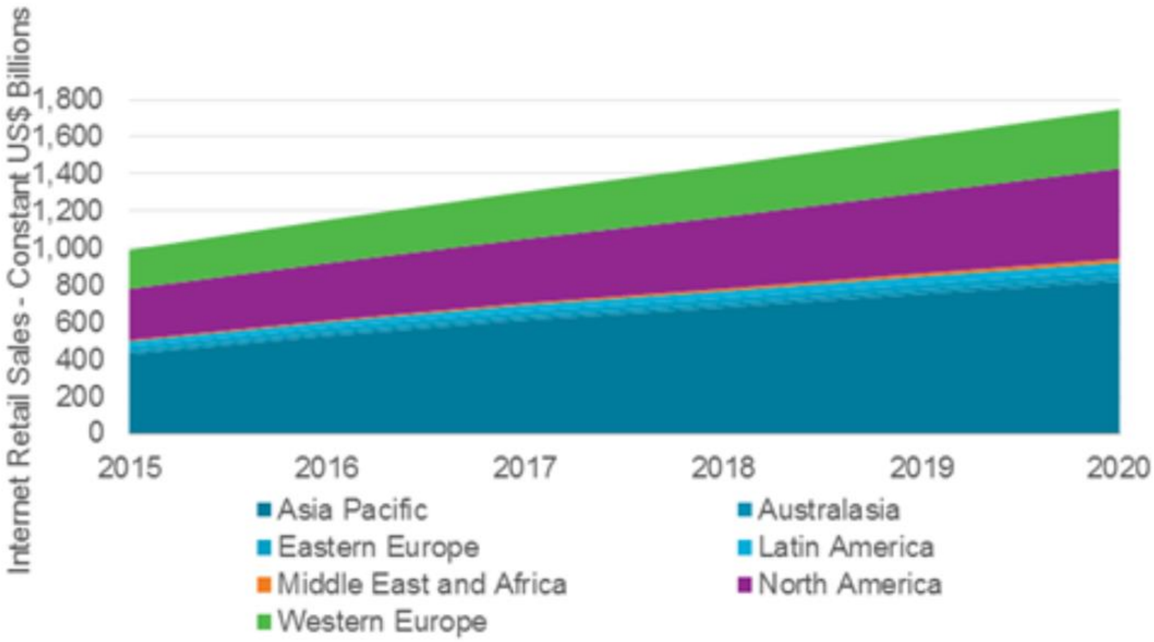
Figure 4.2 Global Internet Users: 2015 - 2025



Source: Euromonitor International (January 5, 2016). Digital Life and Consumers. Data from 2016 onwards forecasted. Euromonitor International, London.

Remarkable is the fact that the number of internet users in the Asia Pacific is about the same than in the rest of the world. However, when looking at internet retail sales, the stronger purchasing power in North America and Europe compensates for the lower number of people (Figure 4.3). In fact, as of 2015, the average US internet shopper spent about three times the amount online than the average Chinese internet user.[12]

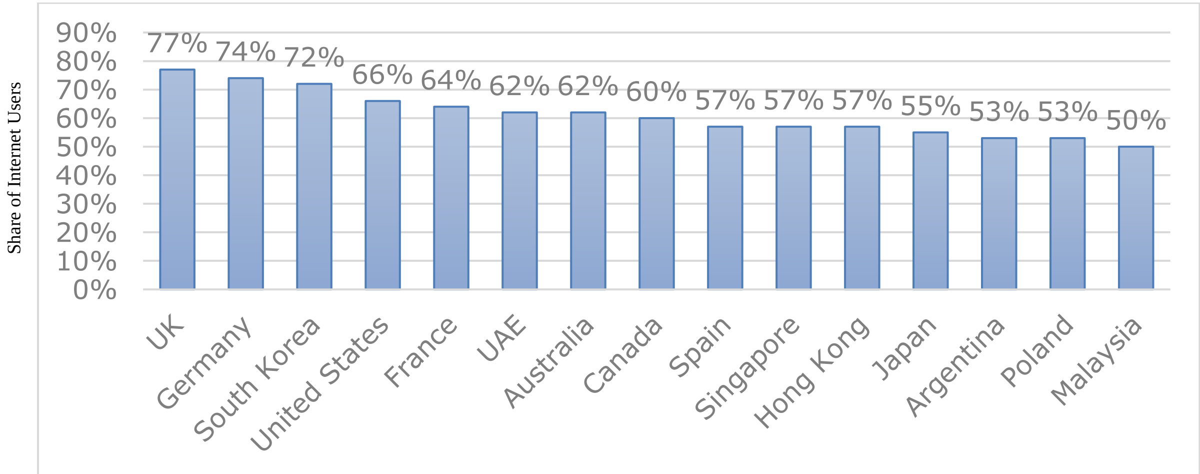
Figure 4.3 Global Internet Retail Sales 2015 - 2020



Source: Euromonitor International (January 5, 2016). Digital Life and Consumers. Data from 2016 onwards is forecasted and is at constant 2015 US$ billion. Euromonitor International, London.

Online shopping penetration, defined as the percentage of internet users having purchased a product online within the last year, is predicted to edge close to 50% globally by 2018. However, online shopping penetration rates vary strongly between countries. Figure 4.4 is based on 2015 data of Statista[13] and shows the countries with the highest percentage of 16 to 64 year old internet users, who purchased something on the internet during the last month.

Figure 4.4 Countries with the Highest Online Shopping Penetration



Country differences are also very strong when looking at the categories of products purchased online. Data from 2014 suggest that 90% of the Chinese internet users, for example, bought groceries online, but only 26% of Americans.[14] Chinese and Indian internet users are also far more likely to buy apparel online than internet users from any other countries.[15] A possible explanation is that urban China and India have developed a strong, low cost e-commerce infrastructure for product delivery and returns.

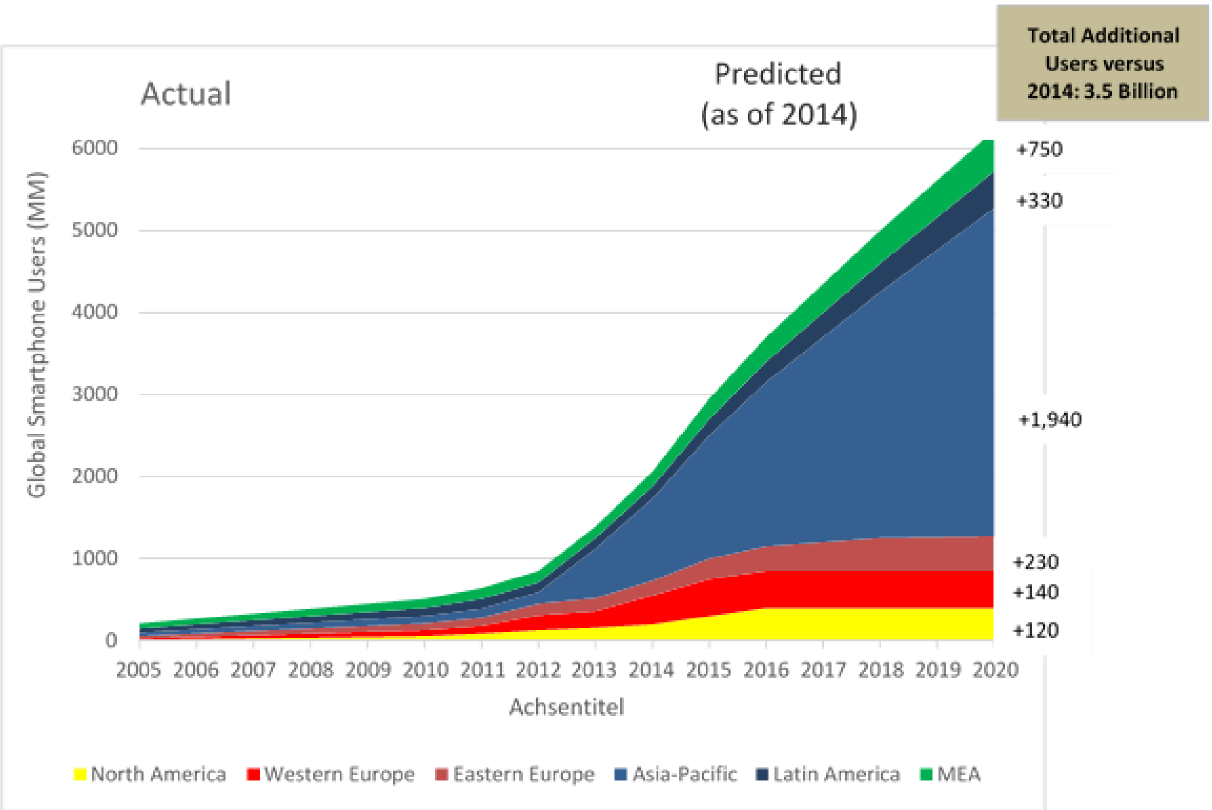
3.2 Multichannel Shopping Hyperlinked Consumers

In the US, already the majority of consumers are multichannel shopping; more than two-thirds are "webrooming," i.e. search for products online but buy in a conventional store, and about half are "showrooming," i.e. browse for products in store but buy online.[16] Much of the webbrowsing happens on smartphones, which are carried (nearly) permanently by consumers like a second brain. Experts use the term "hyperconnected" consumers[17] to stress that consumers are more connected to the web than ever. In fact, some 80% of smartphone owners check their device within 15 minutes of getting up, and the average Generation Y[18] smartphone users check their device 150 times a day, i.e. about every 6 minutes day and night.[19] There is even a new psychological condition called "Nomophobia," the fear of being without a mobile phone, which apparently affects two-thirds of the general population.[20] A curious finding reported in the same article reveals that 20% of young adults between the ages of 18 and 34 have used their smartphones while having sex, compared to 9% among all adults of all ages. In case you wonder, there is no further information on the effect this has on sexual satisfaction. But staying with the theme of always connected: 83% of the Generation Y sleep with their smartphones right next to the bed; compared to 57% of all adults.[21]

3.3 Mobile Devices Beat PCs: Emerging Countries are in the Lead

Today, PCs still remain the dominant device for consumers around the globe when they engage in e-commerce. However, this is about to change. The growth rate of mobile phones is currently more than five-times that of PCs.[22] Using two different sources,[23] Figure 4.5 illustrates the rapid growth of smartphone subscriptions over the past years and the forecasted future development in different regions of the world.

Figure 4.5 Growth in Global Smartphone Users



In years to come, the increasing importance of smartphones will undoubtedly change the e-commerce eco-system and make the mobile phone the device of choice for most consumers shopping on the web. In some countries such as Japan[24] and China, this shift has already occurred. Chinese consumers now engage more often in e-commerce and spend more money via mobile phones than through PCs.[25] In fact, market research reported in 2015 already indicated that as many as 20% of the Chinese population bought something on the internet via mobile phones in the month preceding the survey.[26] India and other large emerging markets like Indonesia are following suit, while consumers in the US, Japan, Germany and France are less than twice as likely to use their phone for e-commerce than emerging market consumers. In the digital economy, the traditional categorization of markets as emerging and developed clearly needs rethinking, as consumer behavior in emerging markets is often more progressive than in developed markets.

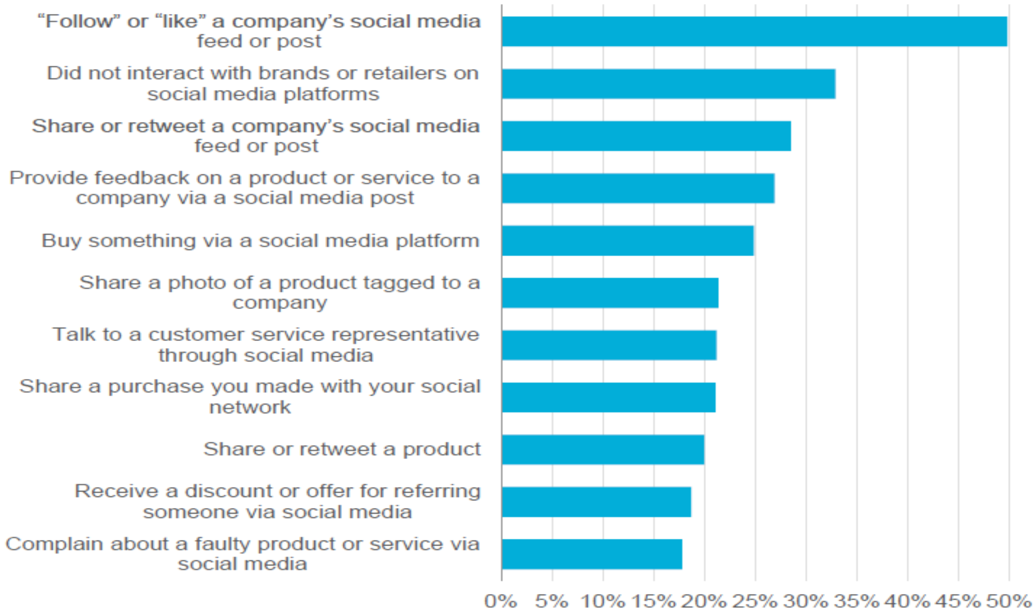
3.4 Social Media Behavior Differs Strongly Around the Globe

How consumers interact with brands on social media, and in particular their reviews and recommendations, is now central to the online purchasing process. Internet shopping follows a familiar pattern: Searching the web, reading recommendations and reviews, making a decision.[27] Consequently, such reviews influence brand attitudes in the online environment and empower consumers to make more competent purchase decisions. This leads to a shift from manager-ruled to customer-ruled brands.[28] Brian Solis, an analysist and regular writer on the digital economy, states: “Businesses are no longer the sole creator of a brand; it is co-created by consumers through shared experiences and defined by the results of online searches and conversations.”[29] In fact, social media has led to a transfer of power from sellers to consumers. Consumers generate content and share this in their networks. Such consumer generated digital content has a substantial economic value[30] as it drives internet traffic and shapes opinions.

So how do today’s hyperconnected consumers interact with brands and retailers on social media? Euromonitor analyzed consumers in 17 countries and found that about half of their sample “follows” or “likes” a company. Nearly 30% even shares or retweets a company’s social media posts (Figure 4.6). However, a word of caution: the same survey once again reveals massive differences across countries and age groups. In emerging markets, consumers are nearly two times more likely to use social media to interact with brands compared to consumers in developed markets. Asian consumers, by the way, also place more importance on the opinion of others expressed on the Web, so called electronic word of mouth or eWOM. A possible explanation for these variances lies in perceived role differences of consumers in collectivistic Asian cultures and individualistic Western cultures.[31]

In terms of age groups, two thirds of respondents between 15 and 29 years of age liked or followed a brand’s social media feed.[32] Looking at the age- and country perspective simultaneously exacerbates the differences in consumer behavior in emerging markets and developed markets. More than three quarters of the consumers younger than 29 years of age in Indonesia, Brazil and Mexico follow or like a brand on social media.

Figure 4.6 Interaction with Brands and Retailers on Social Media

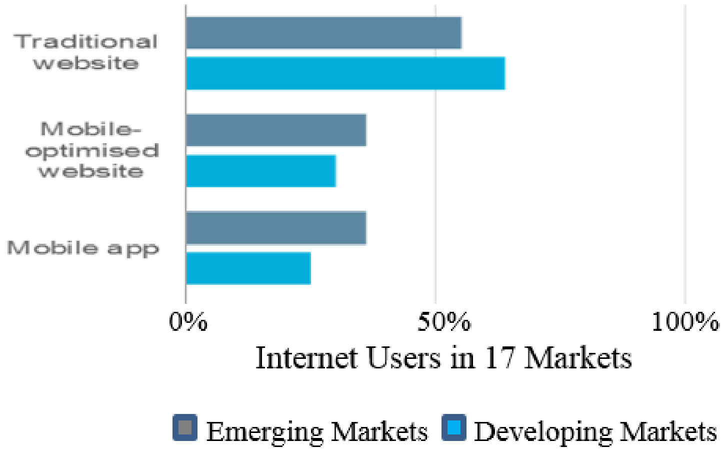


Source: Euromonitor International (2015). Consumers in the Digital World: Hyperconnectivity and Technology Trends. Euromonitor International, London.

3.5 Strong Growth in Mobile Payment: Emerging Market Consumers Lead the Way

When it comes to making payments for internet purchases, consumers in developed markets still prefer traditional computers compared to smaller mobile devices. This is on the one hand a question of trust, but on the other hand a question of convenience; consumers find it difficult to navigate websites via smartphones, when the sites are not optimized for mobile use. The key to increasing consumer acceptance of mobile payments appeared to lie in friendly mobile platforms, which are already quite popular in India and China. This is also reflected in Figure 4.7, which shows a higher preference for mobile optimized websites and apps in emerging markets.

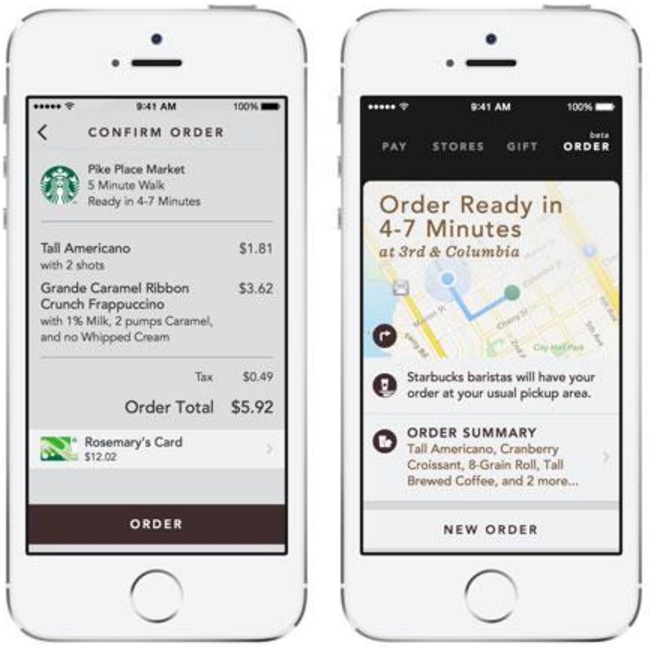
Figure 4.7 Internet Payment Platforms in Emerging and Developed Markets



Source: Adapted from Euromonitor International (July 2016). Strategy Briefing: The New Connected Consumer Code: Unlocking Digital Commerce Opportunities. Euromonitor International, London.

A nice example for a pre-paid mobile app comes from Starbucks (Figure 4.8). It offers convenience and integrates the company's rewards program. When the coffee is collected, the buyer opens the app to display the QR code, which the barista scans to execute payment.

Figure 4.8 Starbucks Loyalty Payment App



Source: http://www.nfcworld.com/wp-content/uploads/2014/12/starbucks-mobile-order-and-pay.jpg, Accessed 7. August 2016.

McDonald's, in their mobile app "mymacca," combines online ordering and payment with the ability to tailor burgers and other products to the individual taste of consumers. Integrating different functionalities in user-friendly mobile apps clearly facilitates a wider adoption of such mobile payment systems.

3.6 Emerging Market Consumers Less Concerned about Internet Privacy

An interesting puzzle in the attitudes of increasingly connected consumers is their privacy concern. Take, for example, location based services (LBS) that require knowledge on the location of the consumers' smartphones. The services can be query-based and provide consumers with geographically based information on the nearest bank, restaurant or petrol station. However, they can also be push-based, tracking the whereabouts of consumers to be able to offer location specific advertising or coupons. While the large majority of global consumers regard advertising that tracks phone locations without permission as an invasion of privacy, nearly half are willing to share their location in exchange for discounts. Again, there are country specific differences. Compared with consumers surveyed in European countries and Australia, their counterparts in the two largest emerging markets China and India are substantially more likely to consider target ads as helpful instead of intrusive.[33]

Taken collectively, we conclude that the world is turning digital with a vengeance! This rapid digital transformation goes hand in hand with a transformation of consumer attitudes and behavior. E-commerce is booming and in terms of devices, mobile commerce is outpacing the old PC. However, across the globe, the developments are not at all uniform. There are substantial differences across countries in terms of the speed of internet adoption and online shopping, the devices used for online shopping, the way consumers interact with brands and retailers online, the way consumers pay online and consumer attitudes towards internet privacy. In fact, there are even differences in the time consumers from different countries spend on the internet. Latin American internet users, for example, are approximately three times as long online as Asian internet uses.[34] From a global marketing strategy perspective, it is important to recognize that for e-commerce, the traditional categorization of markets as emerging and developed clearly needs rethinking, as consumer behavior in emerging markets is in many ways more progressive than in developed markets.

4. Digital Marketing from a Corporate Perspective

Having highlighted a few of the many changes in consumer attitudes, concerns and behavior that accompany the current digital transformation, we now look at digital marketing from a corporate perspective. For companies, the key issues are how to reach the new type of internet savvy consumers, how to convert them into customers, and how to engage them on an ongoing basis by presenting an integrated digital multi-channel strategy. To emphasize the obvious: having a company website is not the same than having a cohesive digital strategy.

So what are the main elements of a digital strategy? Clearly, there are always the big questions, such as where to compete in terms of types of customers, the choice of technology and the geographical focus. There is also the issue of how to position the company in the ecosystem of a particular industry, which includes decisions on where and how to compete and collaborate with other industry players. While these are clearly fundamentally important considerations, they are conceptually not different from any other strategy development discussed throughout the book. However, important differences to online strategies do exist. In terms of digital marketing, these differences primarily arise from the dynamic interplay among the three central elements of digital marketing strategy, namely content, communication and commerce. Below, we demonstrate how digitalization is changing how companies engage with customers. Notwithstanding our comment in the previous paragraph, we start with the most fundamental digital marketing tool, namely the corporate website.

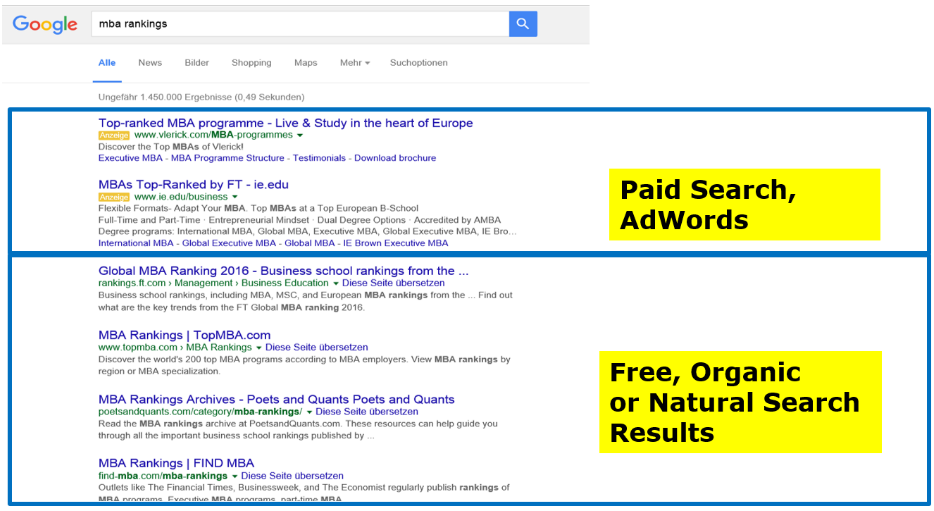
4.1 Corporate Website and Search Engine Optimization

Corporate websites should offer visitors a positive user experience in that they are clearly structured, easy to navigate and optimized for different devices, such as small mobile screens and large PC monitors. Of course, websites[35] need to include relevant and interesting contents, so that people actually search for them; and most important: it should be easy to find the website.

However, the latter is the key issue. Given that there are more than a billion websites on the world-wide-web today,[36] the hope to be found easily is often in vain. Thus, companies that do nothing else but hope potential customers may find their websites, remain in the stone age of digital marketing.

Consequently, most companies engage in activities aimed at improving the chances that people browsing the internet will actually locate their website. The umbrella term for different measures that can be set to improve the visibility of a website is search engine optimization. Besides including as many links and back-links to other sites as possible, this term primarily refers to the use of appropriate meta-tags[37] to increase the chances to be identified by search engines like Google, Baidu or Yahoo. It is important to note that search engine optimization aims to increase the chances that a website pops up in the *unpaid* results displayed by a search engine. This section is also referred to as free, organic or natural listings. Figure 4.9 illustrates the distinction between the paid and free part of a Google search result when searching, for example, for the keywords "MBA rankings."

Figure 4.9: Paid versus Free Search Results



4.2 Sponsored Searches, Cookies, Banner Ads and Pay-per-Click

Companies that want to appear among the top of a search and are willing to spend money for this privilege can use sponsored searches.[38] Here a firm typically places bids on keywords relevant for their target audience in a particular geography. This bidding can be very competitive, if many companies want to ensure that their website is displayed when a member of the target audience searches for a certain term. Another downside is the danger of missing users who use different keywords. For example, a business school that uses the keywords “management education” may miss searches directed to “MBAs.” However, sponsored searches also offer a fast and flexible access to targeted users and allow the optimization of online marketing measures based on time, geography or keywords. Sponsored searches are also relatively easy to implement.

Companies also want to ensure that their banner ads are displayed to targeted consumers throughout their online navigation. This is usually steered via cookies, i.e. small files that are stored on a consumer’s computer. Such cookies contain information on a consumer’s visit to websites. For Example, when consumers visits the website of a university, searching for MBA programs, cookies are automatically stored on their computer. Subsequently, these consumers are likely to be served MBA banner ads from this specific university when visiting other websites with different content. While this is perceived as a very successful push promotional strategy by companies, many consumers see such tracking cookies as an invasion of privacy.

Some banner ads open automatically while others need to be clicked in order to open them. Fortunately, companies now widely recognize that self-executing banner ads annoy most consumers and opt for those, which need to be clicked on. Some search engines charge for banner ads through pay-per-click (PPC), also referred to as cost-per-click (CPC). Here, the advertiser pays the search engine, or sometimes also a website owner, when their ad is clicked. Social networks such as Facebook also use pay-per-click when selling advertising space. However, it has to be recognized that banner ads are also brand building and have a value for advertisers, regardless of whether or not consumers click on the ad. Consequently, a flat fee in combination with a PPC approach tends to be more appropriate.

An additional argument against an exclusive focus on PPC is click fraud. This refers to an artificial generation of clicks, for example by corrupt competitors that use computer programs to mimic legitimate users. In the short run, click fraud benefits the search engine and increases the costs of the victimized firm. In the long-run, abusive clicks undermine the legitimacy of the entire PPC advertising model and could potentially close a lucrative revenue stream for search engines or social media networks. Consequently, a number of steps have recently been taken to curb click fraud.[39]

4.3 The 7C Framework

A useful framework for assessing the quality of a corporate website or, more general, how well companies engage with their customers online, is the 7C framework.[40] This framework (Figure 4.10) suggests to examine the customer interfaces based on seven dimensions:

- ***Context*** captures the functionality (layout) and aesthetics (look and feel) of the website.
- ***Content*** mainly focuses on the offering mix (product and service information), appeal mix (promotion and communication messages) and multimedia mix (pictures, audio, or video).
- ***Community*** relates to the interaction between users and distinguishes between interactive communication (e.g. instant messaging) and non-interactive communication.
- ***Customization*** captures the website's ability to tailor itself or to be tailored by each user.
- ***Communication*** focuses on the dialog between the site and its users and distinguishes between *broadcasts* (the provision of one-way information), *interactive* information exchange (e.g. customer service requests) and *hybrid*, that is a combination between broadcast and interactive (e.g. freeware distribution).
- ***Connection*** concerns the formal linkages between the website and other sites. Here one can distinguish between home site content, outsourced content, and pathways of connections.
- ***Commerce***, finally, deals with those facets of a website, which enable business transactions, such as shopping carts, security, order tracking or delivery options.

Initially, the 7C framework was primarily developed to analyze customer interactions via desktop computers. In the meantime, mobile commerce via smartphones or tablet computers have gained importance, and the framework has been adapted for mobile commerce applications.[41] Specifically, two dimensions have been added, mobile settings and mobile device constraints.

- ***Mobile settings*** captures the specific environment where the consumers use their mobile device. This refers to location, the time and context, i.e. the circumstances in which consumers use their devices (e.g. in a noisy shopping center).
- ***Mobile device constraints*** reflect issues associated with the performance limitations of mobile devices versus desktop computers. This includes, for example, smaller screens or less convenient input facilities.

Taking account of these two mobile device specific aspects, the mobile settings and mobile device constraints (2Ms) extend the 7C framework and provides a structure for analyzing the quality of corporate customer interfaces in an environment that is increasingly turning from desktop centered e-commerce to mobile commerce. Table 4.1 shows the combined 2M and 7C framework.

Table 4.1: Framework for Analyzing M-Commerce Interface Design

Mobile Setting

- Diverse shopping environments in terms of time, place, and context
- Often involves distraction or peripheral tasks, limiting user's attention

Mobile Device Constraints

- To become portable, employ fewer resources
- Limited input/output devices, slower CPUs, inferior multi-media processing capabilities.

Context	• How a Web site is delivered • Aesthetic and functional look and feel
Content	• What a Web site presents to users • Time-sensitive content as well as place, context-sensitive content
Community	• User-to-user communication
Communication	• Site's ability to tailor itself or to be tailored by each user
Collaboration	• The dialogue between sites and users
Connection	• Formal linkages between sites
Commerce	• Shopping tools supporting sale of goods and services

Source: Lee, Y. E. and Benbasat, I. (2004). A Framework for the Study of Customer Interface Design for Mobile Commerce. *International Journal of Electronic Commerce*, 8 (3), 84.

4.4 Content Marketing

Content drives web-traffic. This makes content marketing one of the most important digital marketing tools. In fact, in a large scale survey,[42] content marketing has even been singled out as the most important digital marketing trend, well ahead of big data, marketing automation and mobile marketing. Content marketing involves the creation and sharing of media and publishing content in order to acquire and retain customers. As such, it comprises a wide array of different methods, including newsletters, white papers, videos, case studies, how-to guides, Q&A articles, etc.

Content marketing pursues a number of objectives. In general terms, it aims to strengthen the brand image by communicating product related information. More specifically, it is also a means to strengthen customer relationships, increase brand involvement, gain consumer data, generate consumer insights and create word-of-mouth. Through content marketing, brands increasingly become storytellers that need to entertain in order to maintain their social relevance.

For a company, engagement in content marketing is time consuming. Good content marketing needs to walk a thin line between strengthening the brand without being perceived as advertising. To this end, content marketing calls for authenticity and journalist credibility. Good content marketers manage to align the values of the brand with the topic addressed in a story and the distribution channels used. Ultimately, content marketing needs to offer stories and perspectives, which emotionally hook consumers to the brand.

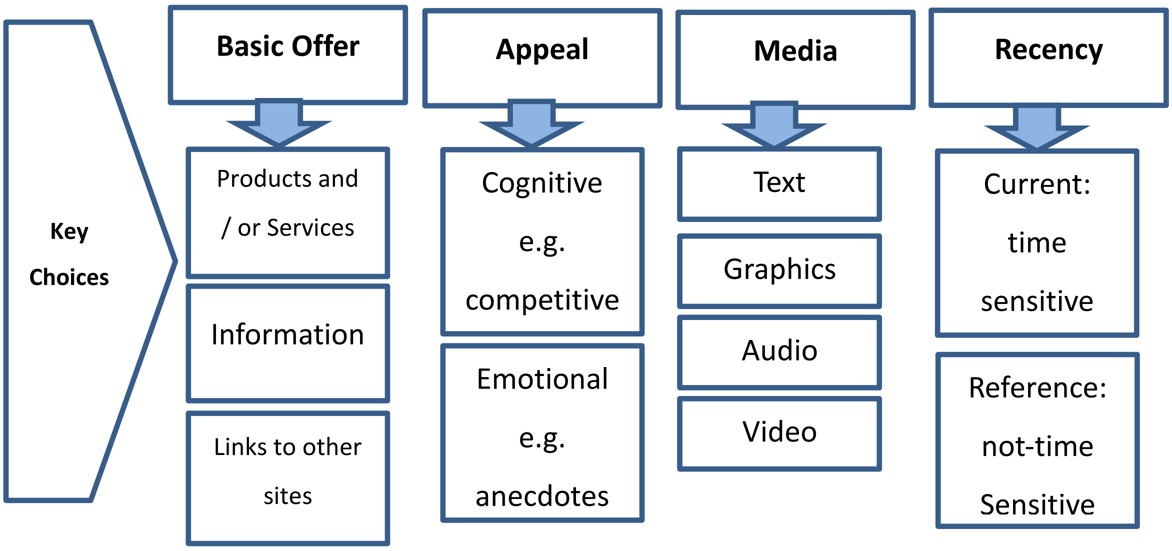
For global marketers, one of the key challenges of content marketing lies it the management of content across different languages and cultures.[43] This once again illustrates the struggle for the right balance between global and local customer engagement. Most companies apply a mixture between central governance and local execution. This hub-and-spoke system allows companies to create content locally without losing oversight of content. Requiring a corporate review process for local content ensures message consistency and enables companies to take advantage of central knowledge. This achieves clarity and consistency in messaging without losing local relevance. Figure 4.10 illustrates an example of content marketing across different geographies by Unilever.

Figure 4.10 Unilever Content Marketing Across Different Geographies

Source: Adapted from Unilever and Percolate: An Efficient Global Pilot. http://read.prclt.com/percolate_unilever_case_study.pdf. Acessed 11. August 2016.

While companies may spend substantial efforts to create their own content, the majority of content offered often comes from third parties, such as the consumers themselves. The British newspaper Independent observes that even the world's most popular media company, Facebook, creates no content.[44] Thus, looking at the scope for embedding content marketing in a corporate website further demonstrates the possibility for integrating third party material and further highlights the importance of content when engaging with consumers. Figure 4.11 illustrates this point.

Figure 4.11: Embedding Different Types of Content in Websites



4.5 Owned, Paid, Shared and Earned Media

In the previous section, we pointed out that brands need to become storytellers that entertain in order to maintain their social relevance. This aspect is particularly pertinent when conceptualizing the mechanisms behind reaching consumers through social media. Here not only the media channels under corporate control are important, but more so the channels used by consumers to pass on corporate messages. In 2008, Nokia first introduced the concept of Paid, Owned and Earned Media (POE)[45], which was later popularized by Forrester Research.[46] Table 4.2 explains the differences and offers examples of the three types of media.

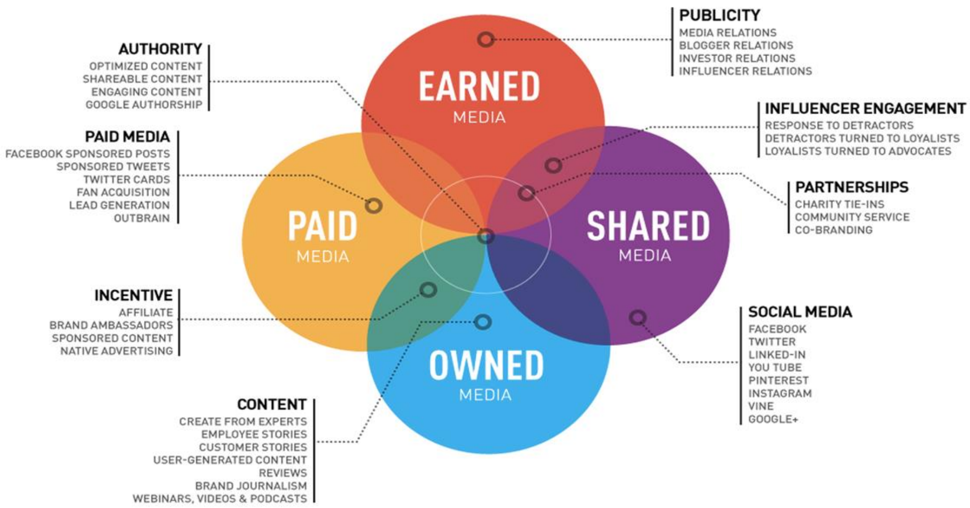
Table 4.2 Owned, Paid and Earned Media

Media type	Definition	Examples	The role	Benefits	Challenges
Owned media	Channel a brand controls	• Web site • Mobile site • Blog • Twitter account	Build for longer-term relationships with existing potential customers and earn media	• Control • Cost efficiency • Longevity • Versatility • Niche audiences	• No guarantees • Company communication not trusted • Takes time to scale
Paid media	Brand pays to leverage a channel	• Display ads • Paid search • Sponsorships	Shift from foundation to a catalyst that feeds owned and creates earned media	• In demand • Immediacy • Scale • Control	• Clutter • Declining response rates • Poor credibility
Earned media	When customers become the channel	• WOM • Buzz • "Viral"	Listen and respond — earned media is often the result of well-executed and well-coordinated owned and paid media	• Most credible • Key role in most sales • Transparent and lives on	• No control • Can be negative • Scale • Hard to measure

Source: Corcoran, S. (December 16, 2009). Defining Earned, Owned And Paid Media. Accessed 15. August 2016. http://blogs.forrester.com/interactive_marketing/2009/12. Accessed 11. August 2016.

More recently, Dietrich introduced a refinement to the concept by singling out and adding shared media (Figure 4.12).[47] She points out that search engines like Google rank sites higher when people share content posted on the site. To this end, share buttons making it convenient for consumers to pass on content have assumed major importance.

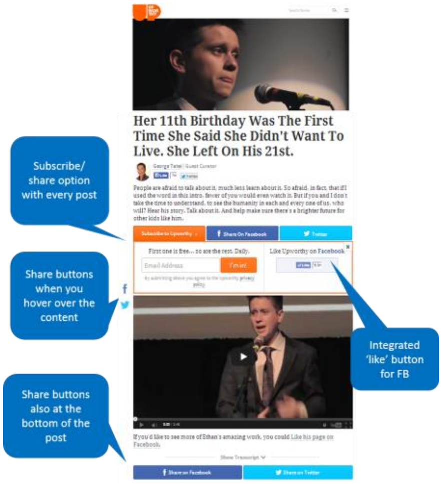
Figure 4.12 Owned, Paid, Earned and Shared Media



Source: Dietrich, G. (June 24, 2013). The Four Different Types of Media. http://spinsucks.com/communication. Accessed 15. August 2016

An example of how companies try to encourage sharing and liking a story is given in Figure 4.13. Here, the corporate post includes not just one share button but multiple opportunities to share, like and subscribe. When companies attempt to encourage sharing, they should bear in mind that younger consumers prefer sharing of visual images, in particular video.[48] From a global marketing strategy perspective, earlier in this chapter we already pointed out that emerging market consumers are more inclined to like and share social media content. On the receiving side, these consumers are also nearly three times more interested in social media alerts than are consumers in developed markets.[49]

Figure 4.13 Encouraging Consumers to Share Content



Source: http://www.upworthy.com. Accessed 15. August 2016.

Red Bull's Stratos project illustrated how effective sharing content can be for brand building.[50] In 2012 Felix Baumgartner, an Austrian professional BASE jumper, broke a long standing world record in free fall by a jump from a capsule attached to a helium balloon 39 kilometres above the earth. On Facebook alone, the post-jump photo of Baumgartner, prominently displaying the Red Bull logo, gained almost 216,000 likes, 10,000 comments and over 29,000 shares within 40 minutes.

4.6 Measuring Success of Social Media Marketing

The demand for social media success metrics is increasing in line with the growing proportion of marketing budget corporates spend on social media around the world. Marketing managers need to align their digital marketing efforts with business objectives and connect their spending to business outcomes. However, this is not an easy task. A survey in the US showed that only 15% of the responding Chief Marketing Officers (CMOs) were able to quantify the impact of their social media spending on business. A further 40% of the CMOs stated that they had a good qualitative sense of the business impact, but could not quantity the effect.[51] These results reflect that many marketers still favor soft metrics such as "likes" or "downloads," without tracking the connection to specific business outcomes. This approach, sometimes labeled as vanity

metrics, is increasingly replaced by connecting social media spending to hard metrics, which include specific business outcomes like conversion rates and sales.
There is no shortage of hard metrics: The American Advertising Research Foundation lists about 200 hard metrics for four digital channels, namely email, mobile, social and the Web.[52] Of course, this begs the question which particular metrics to use. Here it is important to align the measures with the business objectives. The American Marketing Association recommends the following five-step framework to achieve this alignment:[53]

(1) **Set Goals:** Broad concepts tied to the company's mission and vision.
(2) **Define Objectives:** More specific elements that will lead to achieving the goals. These should follow the well-known SMART principles and should be specific, measureable, attainable, relevant and time-specific.
(3) **Clarify Strategies:** Ideas and principles that guide the stated objectives.
(4) **Specify Tactics:** The actions that support the strategy.
(5) **Select Key performance indicators (KPIs):** Metrics KPIs ensure that the brand is relating its efforts to specific business goal.

Table 4.3 illustrates this framework for a corporation seeking to enhance brand strength.

Table 4.3: Aligning Social Media Metrics with Business Goals

GOAL	OBJECTIVES	STRATEGIES TO SUPPORT OBJECTIVE NO. 1	TACTICS	POSSIBLE KPIS FOR TACTIC NO. 1
• Enhance brand strength.	• Introduce brand to new potential clients/customers. • Improve brand reputation by increasing positive mentions and reduce negative mentions. • Increase reach of thought-leadership content.	• Use Social media to expand brand's reach. • Increase engagement with brand content. • Increase awareness of brand's newest product line.	• Develop fresh branded content that's easily shared and repurposed. • Engage in conversations with thought leaders who aren't yet familiar with the brand. • Consolidate brand's social media accounts and select three most effective channels. • Create unique brand-centric hashtag for followers to unlock coupon codes for new product.	• Engagement with content, segmented by type of content. • Sharing metrics (retweets or replies, for example) as a percentage of total reach. • Visits per page and time on site (if content is housed on brand's website). • Sentiment. • Conversation drivers.

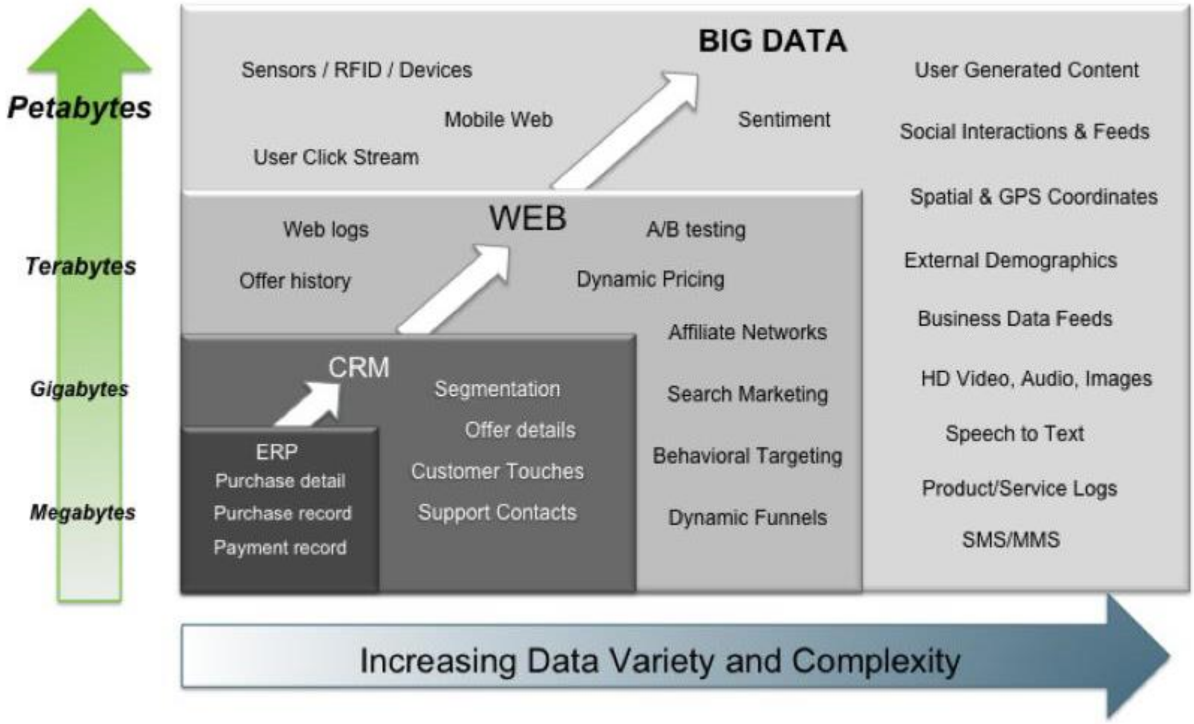
Source: American Marketing Association (2014). Social Media Success Metrics – Special Report, Chicago. https://www.ama.org/ECDFileRepository/Special-Report-Social-Media-Success-Metrics.pdf. Accessed 10. September 2016.

4.7 Big Data

No discussion of digital marketing would be complete without including big data. However, big data is a rather big topic, which can easily fill multiple books. As we will return to the topic of big data in the last chapter, which focuses on the future of global marketing strategy, at this stage we only offer a cursory view of the topic.

At the outset, we need to acknowledge that the term big data is difficult to define. The internet information technology research and advisory company Gartner defines big data as "high-volume, high-velocity and/or high-variety information assets that demand cost-effective, innovative forms of information processing that enable enhanced insight, decision making, and process automation."[54] Similarly, International Data Corporation (IDC), another leading provider of market intelligence, describes big data technologies as "a new generation of technologies and architectures, designed to economically extract value from very large volumes of a wide variety of data, by enabling high-velocity capture, discovery, and/or analysis."[55] So what does this mean in plain English? The following two characteristics are particularly important: First, the large variety of data and second the sheer size of data. Figure 4.14 demonstrates these two dimensions.

Figure 4.14 Conceptualizing Big Data



Source: Rose Technologies (June 11, 2012). Big Data = Transactions + Interactions + Observations. http://www.rosebt.com/blog. Acessed 11. August 2016.

Focusing on the wide variety of different types of data, it becomes apparent that any systematic use and analysis of such data presents a complex set of problems. Companies have to have the expertise and the computing resources to capture, validate and analyze high volumes of data. Given that the data is rather mixed in terms of structure and sources, this is a tall order. To make things worse, companies need to analyze the data in real-time or near-real time. This is meant by high-velocity capture and analysis. Virtually by definition, the growth of big data exceeds the capabilities of most companies' IT infrastructure and largely constitutes "greenfield" computing and data management problems.[56]

However, big data also offers big promises. For e-commerce, these include real time decisions on what to show a given visitor to improve the relevance of a website. For example, in the context of customer communication, big data analytics allows to tailor promotional offers to the profiles of specific website users. Of course, the analysis of big data does not only benefit web-retailers. Many banks, for example, have shifted their focus to big data analytics.

However, big data impacts not only marketing communication processes, but is predicted to have massive ramifications for a wide variety of different businesses and business processes. Rolls Royce reportedly monitors its aircraft engines with hundreds of censors to predict when breakdowns may occur.[57] In fact, big data is giving rise to the creation of many new companies that developed the ability to access and analyze valuable data. In the US, venture capital funding of big data analytics firms has reached proportions that indicate the emergence of an entirely new industry.[58]

5. Digital Destiny: The Landscape Ahead

So far, this chapter highlighted the marketing implications of some selected digital communication technologies already in existence. However, as the previous section on big data already indicated, digitalization is much more far reaching than the focus on marketing communication may suggest. For a start, digitalization affects all other marketing mix parameters. The product policy will for example, be shaped by mass-customization or digitally facilitated customer led-innovation processes. Distribution policy is going to be transformed through 3D-printing or distribution of packages via drones. Already, Amazon is experimenting with a drone delivery service for parcels.[59] In the realm of price policy, increasingly sophisticated dynamic pricing models, again enabled through big data analytics, will customize pricing to the specific circumstances of individual customers. As a selling aid, Augmented Reality (AR) is making inroads by offering, for example, virtual fitting room. This results in lowered return rates when shopping online.[60] Meanwhile, Virtual Reality (VR) supports communication efforts of real estate agents by offering them the opportunity to let potential buyers walk though properties, which are only in planning. Airlines also take advantage of VR by demonstrating to potential customers how they may experience a drive through exotic destinations. Yet another technology likely to have a substantial impact on marketing is Artificial Intelligence (AI). This technology aims to mimic the human brain in terms of learning and problem solving, and can help marketers in numerous applications ranging from data mining, improved consumer targeting or building life-cycle campaigns. Thus, as already stated at the outset of this chapter, it is not just one technological advance, which drives the digital revolution, it is the accumulation and convergence of different networked technologies that spurs the rapid development.

While all these developments indicate paradigmatic changes on a global scale, from a global marketing strategy point of view, it is interesting to note that the predicted developments are likely to be uneven across different geographical regions. Euromonitor International, for example, found that consumers in emerging markets are substantially more likely to purchase wearable technologies than those in developed markets, regardless of whether this relates to health monitoring, fitness tracking, augmented-reality features or any other devices. Thus, while digital advances will eventually affect all geographies, marketers should be keenly aware of persistent regional differences in the speed of adoption.

Just how rapid the development will be is indicated by unsettling predictions: The futurist Thomas Frey expects that by 2030, roughly 50% of all jobs on the planet will disappear as a result of technological advances.[61] Richard Lyons, the dean of the Haas School of Business at University of California at Berkeley, shocked with his apocalyptic prediction that half of the business schools in the US could be out of business in the next five to ten years.[62] Based on a survey of 941 business leaders conducted by the Global Center for Digital Business Transformation, researchers concluded that in each industry, some four of today's top 10 incumbents, measured in terms of market shares, will be displaced by digital disruption in the next five years.[63] Similarly, a white paper sponsored by SAP points out that based on the current turnover rate, by 2027, 75% of the S&P 500 index companies will be new and are not in the index today.[64]

Even if we are tempted to suspect some over-exuberance and detract a few percentage points from these predictions here or there, the trajectory of the development is undisputed and clearly points to an unprecedented speed of change ahead. The social implications are only just emerging. Take Frey's prediction that digitalization will result in 50% fewer jobs on the planet by 2030, and consider this together with the fact that some 30% of the Indian population[65] and 40% of the African population[66] are under 15 years of age and will be looking for employment, the danger of social tension and unrest becomes evident. But social issues will not only emerge in developing regions. In the US, already by 2019 about a quarter of the workforce is predicted to be independent contractors, freelancers or temporary contractors.[67] In sum, rapidly advancing digitalization will lead to an unprecedented paradigm shift that does not only affect how we market and consume around the globe, but it will change the entire corporate landscape, the way we work and with it our lifestyle.

6. Summary

The chapter opens with a curious piece of time travel, drawing a parallel between Doctor Who's fictional two-brained creatures of the 1960s and todays ubiquitous smartphones connecting us to the ever expanding knowledge residing on the web. Next, we present some statistics, which indicate the speed and scope of the digitalization. In this context, we introduce the term "Internet of Everything" and argue that it is not a single technology, which is at the route of the digital disruption, but the convergence and increasing connectedness of different technological developments.

The two main topics pursued in this chapter are then the consumers' digital mindset and digital marketing from a corporate perspective. Focusing first on consumers, we start by highlighting the growth of the world-wide-web and the accompanying growth of global online sales. From a global marketing perspective, it is interesting to observe numerous country specific differences, not only in terms of the proportion of web users, but also in terms of the online shopping penetration and the categories of products purchased online.

Staying with consumers, we then turn to multichannel shopping and the "hyperconnected" shopper, where we offer evidence of large differences between generation cohorts. Next, we discuss a technical revolution we all witnessed, namely the rapid adoption of smartphones. We show that e-commerce via smartphones has already overtaken e-commerce via traditional PCs in China, and it likely to become the medium of choice for internet shoppers around the world. Once more, we show that emerging market consumers lead the way in making the smartphone the media of choice on the web.

Subsequently, we present some insights into social media behavior around the globe. Again, there are remarkable country specific differences between consumers. In contrast to consumers from developed markets, emerging market consumers are much more likely to interact with brands and retailers via social media.

The two final consumer issues we discuss are the adoption of mobile payment systems and attitudes toward internet privacy. Taken the insights presented here together with those generated from the previous discussions on e-commerce consumer behavior, we recognize that the traditional categorization of markets as emerging and developed clearly needs rethinking. For most e-commerce issues, consumer behavior in emerging markets tend to be more progressive than what we witness in developed markets.

Shifting the focus to digital marketing from a corporate perspective, we initially discuss various marketing tools, such as corporate websites, search engine optimization, sponsored searches, cookies and banner ads. Subsequently we introduce a tool, the 7C framework, which helps analyze the quality of websites interfacing with customers. Given the central importance of content marketing, we then demonstrate its role as a digital marketing tool. For global marketers, a key challenge of content marketing lies in the management of content across different cultures and languages. Closely connected to content marketing, we introduce the concept of owned, paid, shared and earned media, and demonstrate how corporations can encourage consumers to share content. The discussion of the corporate perspective ends with a brief glance at measuring success of social media marketing and the big data phenomenon. We confine the discussion of the latter to providing an understanding of the concept of big data and big data analytics, as well as a few marketing examples. However, we acknowledge that big data not only affects marketing. The concept of big data is clearly much broader and has massive ramifications for many different businesses and business processes. Ultimately, big data may lead to the emergence of an entirely new industry.

The chapter closes with an outlook into our digital destiny. We again emphasize that digitalization encompasses much more than the few marketing issues we highlighted. Instead, the rapidly advancing digitalization will lead to an unprecedented paradigm shift that will change the entire corporate landscape and the way we work and live.

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Notes

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