1. Introduction to internet marketing
Introduction

➢ “Marketing is the management process, which identifies, anticipates and supplies customer requirements profitably”

(Chartered Institute of Marketing)

➢ Marketing vs. technology

➢ Challenges for established firms as well as for “internet only” players

To reach 50,000,000 users
- Radio took 38 years
- Computers took over 16 years
- TV took 13 years
- The Internet took 4 years!
The impacts of the Internet

The Internet has produced new market rules:

- greater transparency,
- cost efficiencies,
- more consumer power and choice,
- ..

What impacts have Internet technologies had on pricing levels and strategies both on and offline?
What role can the Internet play in new product development?
Has the internet eliminated intermediaries?
How has the Internet affected purchasing behavior?
How much money should be devoted to online communication?

......
Internet and the digital age

- Information based economy
- Flexibility
- Productivity
- Cost and Speed
- Externality
- Convergence
Flexibility

Reach

Richness

Curve A

Curve B
Moore’s Law

Productivity
Cost and speed

Costs to produce vs costs to reproduce information

- Total Costs vs Volume
  - Linear increase
- Average Cost per Unit vs Volume
  - Decreasing curve

- Total Costs vs Volume
  - Constant
- Average Cost per Unit vs Volume
  - Decreasing curve
Usefulness for the user

Metcalfe’s Law

Number of users
Internet diffusion

World Internet Users by World Regions

- Asia: 41.2%
- Europe: 24.6%
- North America: 10.9%
- Latin America / Caribbean: 15.7%
- Africa: 3.4%
- Middle East: 2.9%
- Oceania / Australia: 1.3%

Source: Internet World Stats - www.internetworldstats.com/stats.htm
1,596,270,108 Internet users for March 31, 2009
Copyright © 2009, Miniwatts Marketing Group
Internet diffusion

Internet Users in the World
Growth 1995 - 2010

Copyright © 2008, Miniwatts Marketing Group
Internet diffusion

World Internet Penetration Rates by Geographic Regions

- North America: 74.4%
- Oceania / Australia: 60.4%
- Europe: 48.9%
- Latin America / Caribbean: 29.3%
- Middle East: 23.3%
- Asia: 17.4%
- Africa: 5.6%
- World, Avg.: 23.8%

Source: Internet World Stats - www.internetworldstats.com/stats.htm
Penetration Rates are based on a world population of 6,710,029,070 and 1,596,270,108 estimated Internet users for March, 2009.
Copyright © 2009, Miniwatts Marketing Group
Internet diffusion

Internet Users Growth in the World Between 2000 and 2008

- Middle East: 1176.8%
- Africa: 1030.2%
- Latin America / Caribbean: 659.9%
- Asia: 363.4%
- World Growth Avg.: 290.0%
- Europe: 263.5%
- Oceania / Australia: 154.0%
- North America: 127.9%

Note: World Internet Users estimate is 1,407,724,920 for Q1 2008.
Copyright © 2008, Miniwatts Marketing Group - www.internetworldstats.com
Internet diffusion

Top 10 Languages in the Internet
millions of users

English: 452
Chinese: 321
Spanish: 129
Japanese: 94
French: 73
Portuguese: 73
German: 65
Arabic: 41
Russia: 38
Korean: 37
All the rest: 258

Estimated Internet users is 1,581,571,589 for 2008
Copyright © 2008, Miniwatts Marketing Group
A type of digital data transmission in which each medium (wire) carries multiple signals, or channels, simultaneously [...] The term has become synonymous with “fast” internet

(Gay, Charlesworth and Esen, 2006)

OECD: Broadband as a connection to the telephone network that permits a downstream access at 256 Kb/s and an upstream at 128 Kb/s
## Broadband diffusion

### TOP COUNTRIES WITH THE HIGHEST NUMBER OF WORLD INTERNET BROADBAND SUBSCRIBERS IN 2007

<table>
<thead>
<tr>
<th>#</th>
<th>Country or Region</th>
<th>Broadband Subscribers</th>
<th>Broadband Penetration (%)</th>
<th>Population (2007 Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>66,213,257</td>
<td>21.9 %</td>
<td>301,967,681</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>48,500,000</td>
<td>3.7 %</td>
<td>1,317,431,495</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>27,152,349</td>
<td>21.1 %</td>
<td>128,646,345</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>17,472,000</td>
<td>21.2 %</td>
<td>82,509,367</td>
</tr>
<tr>
<td>5</td>
<td>Korea, South</td>
<td>14,042,728</td>
<td>27.4 %</td>
<td>51,300,989</td>
</tr>
<tr>
<td>6</td>
<td>United Kingdom</td>
<td>13,957,111</td>
<td>23.1 %</td>
<td>60,363,602</td>
</tr>
<tr>
<td>7</td>
<td>France</td>
<td>13,677,000</td>
<td>22.3 %</td>
<td>61,350,009</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>9,427,300</td>
<td>15.8 %</td>
<td>59,546,696</td>
</tr>
<tr>
<td>9</td>
<td>Canada</td>
<td>7,675,533</td>
<td>23.7 %</td>
<td>32,440,970</td>
</tr>
<tr>
<td></td>
<td><strong>TOP 20 Countries</strong></td>
<td><strong>268,150,077</strong></td>
<td><strong>6.9 %</strong></td>
<td><strong>3,890,377,607</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Rest of the World</strong></td>
<td><strong>36,321,302</strong></td>
<td><strong>1.4 %</strong></td>
<td><strong>2,684,288,810</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total World Subscribers</strong></td>
<td><strong>304,471,379</strong></td>
<td><strong>4.6 %</strong></td>
<td><strong>6,574,666,417</strong></td>
</tr>
</tbody>
</table>

**Broadband and internet usage**

<table>
<thead>
<tr>
<th>Consumption in Europe</th>
<th>&lt;128K</th>
<th>128-256K</th>
<th>256-512K</th>
<th>&gt;512K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time per person</td>
<td>15h 32m</td>
<td>26h 24m</td>
<td>30h 43m</td>
<td>34h 33m</td>
</tr>
<tr>
<td>Pages per person</td>
<td>483</td>
<td>1,036</td>
<td>1,396</td>
<td>1,759</td>
</tr>
<tr>
<td>Sessions per person</td>
<td>20</td>
<td>31</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>Time per session</td>
<td>46m</td>
<td>50m</td>
<td>52m</td>
<td>55m</td>
</tr>
<tr>
<td>Pages per session</td>
<td>24</td>
<td>33</td>
<td>39</td>
<td>47</td>
</tr>
</tbody>
</table>

*Fonte: Nielsen/NetRatings – Panel casa – Europa (CH, DE, UK, IT, ES, FR) - Febbraio 2006*
Broadband and internet usage

When broadband is available internet users:

- Spend much more time online, and visit much more web sites
- Use more multimedia contents, for instance video, music, animation and games

Broad Band = More experience online = New Opportunities
The Blogosphere

Over 70 Million Weblogs Tracked.

Blogosphere growth remains strong with over 120k blogs being created every day.
The Blogosphere growth feels the holiday crunch

- As expected, there was a decline in blog creation during the end of December, coinciding with the holiday season, which has picked back up since the start of the new year:
  - October Average Blogs Created per Day = 97,500
  - November Average Blogs Created per Day = 91,000
  - December Average Blogs Created per Day = 83,750
  - January Average Blogs Created per Day = 89,500
  - February Average Blogs Created per Day = 113,600

- Also, as expected, the splog creation growth skyrocketed during the same period and has likewise declined since:
  - October Average Splogs Created per Day = 3,400
  - November Average Splogs Created per Day = 2,900
  - December Average Splogs Created per Day = 11,400
  - January Average Splogs Created per Day = 4,100
  - February Average Splogs Created per Day = 6,300
The Blogosphere

- About 120,000 new weblogs each day, or...
- 1.4 new blogs every second
- 1.5 million posts per day, or...
- 17 posts per second
- Growing from 35 to 75 million blogs took 320 days
- Japanese the #1 blogging language at 37%
- English second at 33%
- Chinese third at 8%
- Italian fourth at 3%

Source: Technorati
E-readiness, as the Economist Intelligence Unit defines it, is the measure of a country’s ability to leverage digital channels for communication, commerce and government in order to further economic and social development. Implied in this measure is the extent to which the usage of communications devices and Internet services creates efficiencies for business and citizens.

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connectivity and technology infrastructure</td>
<td>20%</td>
</tr>
<tr>
<td>Business environment</td>
<td>15%</td>
</tr>
<tr>
<td>Social and cultural environment</td>
<td>15%</td>
</tr>
<tr>
<td>Legal environment</td>
<td>10%</td>
</tr>
<tr>
<td>Government policy and vision</td>
<td>15%</td>
</tr>
<tr>
<td>Consumer and business adoption</td>
<td>25%</td>
</tr>
</tbody>
</table>
## E-readiness

### Economist Intelligence Unit e-readiness rankings, 2008

#### World region scores

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>8.72</td>
<td>8.58</td>
</tr>
<tr>
<td>Western Europe</td>
<td>8.16</td>
<td>7.99</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>6.34</td>
<td>5.35</td>
</tr>
<tr>
<td>Central and eastern Europe</td>
<td>5.54</td>
<td>5.33</td>
</tr>
<tr>
<td>Latin America</td>
<td>5.21</td>
<td>5.14</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>5.02</td>
<td>5.02</td>
</tr>
</tbody>
</table>

Each region’s score is based on the e-readiness scores for each of that region’s countries covered in our rankings. Source: Economist Intelligence Unit, 2008.
## E-readiness

<table>
<thead>
<tr>
<th>2008 e-readiness rank (of 70)</th>
<th>2007 rank</th>
<th>Country</th>
<th>2008 e-readiness score (of 10)</th>
<th>2007 score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>United States</td>
<td>8.95</td>
<td>8.85</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>Hong Kong</td>
<td>8.91</td>
<td>8.72</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>Sweden</td>
<td>8.85</td>
<td>8.85</td>
</tr>
<tr>
<td>4</td>
<td>9</td>
<td>Australia</td>
<td>8.83</td>
<td>8.46</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>Denmark</td>
<td>8.83</td>
<td>8.88</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>Singapore</td>
<td>8.74</td>
<td>8.60</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>Netherlands</td>
<td>8.74</td>
<td>8.50</td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>United Kingdom</td>
<td>8.68</td>
<td>8.59</td>
</tr>
<tr>
<td>9</td>
<td>5</td>
<td>Switzerland</td>
<td>8.67</td>
<td>8.61</td>
</tr>
<tr>
<td>10</td>
<td>11</td>
<td>Austria</td>
<td>8.63</td>
<td>8.39</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>Norway</td>
<td>8.60</td>
<td>8.35</td>
</tr>
<tr>
<td>12</td>
<td>13</td>
<td>Canada</td>
<td>8.49</td>
<td>8.30</td>
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<tr>
<td>13</td>
<td>10</td>
<td>Finland</td>
<td>8.42</td>
<td>8.43</td>
</tr>
<tr>
<td>14</td>
<td>19</td>
<td>Germany</td>
<td>8.39</td>
<td>8.00</td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>South Korea</td>
<td>8.34</td>
<td>8.08</td>
</tr>
<tr>
<td>16</td>
<td>14</td>
<td>New Zealand</td>
<td>8.28</td>
<td>8.19</td>
</tr>
<tr>
<td>17</td>
<td>15</td>
<td>Bermuda</td>
<td>8.22</td>
<td>8.15</td>
</tr>
<tr>
<td>18</td>
<td>18</td>
<td>Japan</td>
<td>8.08</td>
<td>8.01</td>
</tr>
<tr>
<td>19</td>
<td>17</td>
<td>Taiwan</td>
<td>8.05</td>
<td>8.05</td>
</tr>
<tr>
<td>20</td>
<td>20</td>
<td>Belgium</td>
<td>8.04</td>
<td>7.90</td>
</tr>
<tr>
<td>21</td>
<td>21</td>
<td>Ireland</td>
<td>8.03</td>
<td>7.86</td>
</tr>
<tr>
<td>22</td>
<td>22</td>
<td>France</td>
<td>7.92</td>
<td>7.77</td>
</tr>
<tr>
<td>23</td>
<td>24</td>
<td>Malta</td>
<td>7.78</td>
<td>7.56</td>
</tr>
<tr>
<td>24</td>
<td>23</td>
<td>Israel</td>
<td>7.61</td>
<td>7.58</td>
</tr>
<tr>
<td>25</td>
<td>25</td>
<td>Italy</td>
<td>7.55</td>
<td>7.45</td>
</tr>
<tr>
<td>26</td>
<td>26</td>
<td>Spain</td>
<td>7.46</td>
<td>7.29</td>
</tr>
<tr>
<td>27</td>
<td>27</td>
<td>Portugal</td>
<td>7.38</td>
<td>7.14</td>
</tr>
<tr>
<td>28</td>
<td>28</td>
<td>Estonia</td>
<td>7.10</td>
<td>6.84</td>
</tr>
</tbody>
</table>
Some definitions
Internet - Intranet - Extranet

- **Internet**

- **Intranet**: a private network inside a company or an organisation that uses the same kinds of software that you would find on the public Internet, but that is only for internal use

- **Extranet**: an Intranet that is partially accessible to authorised outsiders (suppliers, partners, customers, etc.) who can only access it with a valid username and password
Some definitions

**E-Business** (Philips et al., 2003): “the application of IT for internal business processes as well as activities in which a company engages during commercial activity. These activities can include functional activities such as finance, marketing, HR management, operations”

**E-Marketing** (Institute of Direct Marketing): “the use of the Internet and related digital information and communication technologies to achieve marketing objectives”

**E-Commerce** (Rayport and Jaworski, 2001): “technology mediated exchanges between parties (individuals or organisations) as well as the electronically based intra- or interorganisational activities that facilitate such exchanges”

M-Marketing

M-Commerce
Philips et al. (2003) define e-business as: “the application of IT for internal business processes as well as activities in which a company engages during commercial activity. These activities can include functional activities such as finance, marketing, HR management, operations”
E-business

E-Business: Internet-based activities

B2B Activities

B2C activities
E-business

- **Business-to-consumer (B2C)**
  Business that sells products or provides services to end-user consumers.

- **Business-to-business (B2B)**
  Business that sells products or provides services to other businesses

- **Consumer-to-consumer (C2C)**
  Person-to-person transactions
From e-business to e-marketing

Internet-based Activity

**Back-end**
- E-Procurement
- Electronic Data Interchange
- Web-based Logistics Solutions
- Electronic Funds Transfers (EFT)
- On-line Tax Filing

**Internal Processes**
- Support internal managerial functions
- Product Management
- Post-sales management
- Data sharing

**External Processes**
- E-commerce
- E-service
- Communication online
- Improve the Customer Experience

"**Marketing** is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have **value for customers, clients, partners, and society at large.**"

*American Marketing Association*
From e-business to e-marketing

- Internet Marketing: effective two-way communications (one-to-one; one-to-many; many-to-many)
  - build relationships
  - customer retention
  - customisation
  - loyalty
  - knowledge of customers’ needs and customer satisfaction
E-Marketing

- E-Marketing is more prominent to customer than other technical mass media, thanks to effective two-way communications.

- The two-way communication can build relationships, customer retention, customisation and loyalty.

- More prominence, means more knowledge of customers’ needs, and customer satisfaction.

- According to Philip Kotler (cited in Web Metrics paper, ‘Winning on the Web’ (2002) more customer satisfaction and value improve company revenues. ‘Intelligent management of information and the use of technology-supported customer interactions are among the e-marketing rules for the new economy.'
How do Internet marketing communications differ from traditional marketing communications?

Kiani (1998)

<table>
<thead>
<tr>
<th>Old media</th>
<th>New media</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-to-many communication model</td>
<td>One-to-one or many-to-many communication model</td>
<td>Hoffman and Novak (1998) state that theoretically the Internet is a many-to-many medium, but for company-to-customer-organisations communications it is best considered as one to one</td>
</tr>
<tr>
<td>Mass marketing push model</td>
<td>Individualised marketing or mass customisation. Pull model for web marketing</td>
<td>Personalisation possible because of technology to monitor preferences and tailor content (Deighton, 1996)</td>
</tr>
<tr>
<td>Monologue</td>
<td>Dialogue</td>
<td>Indicates the interactive nature of the World Wide Web, with the facility for feedback</td>
</tr>
<tr>
<td>Branding</td>
<td>Communication</td>
<td>Increased involvement of customer in defining brand characteristics. Opportunities for adding value to brand</td>
</tr>
<tr>
<td>Supply-side thinking</td>
<td>Demand-side thinking</td>
<td>Customer pull becomes more important</td>
</tr>
<tr>
<td>Customer as a target</td>
<td>Customer as a partner</td>
<td>Customer has more input into products and services required</td>
</tr>
<tr>
<td>Segmentation</td>
<td>Communities</td>
<td>Aggregations of like-minded consumers rather than arbitrarily defined target segments</td>
</tr>
</tbody>
</table>
E- Marketing

Internet can develop (Hoffman and Novak, 1996)

1. **One-to-many Communication**
2. **One-to-one Communication**
3. **Many-to-many Communication**
E-Marketing

1. One-to-many Communication

**Broadcast Model:** The traditional one-to-many marketing communications model for mass media. In this passive model, firms provide content through a medium to a mass market of consumers.

- **OFFLINE**
  - Advertisement on TV, Radio, Newspaper
  - Direct Marketing (catalogs, mailing, etc...)

- **ONLINE**
  - Web Sites
  - Online advertisement: Video Streaming, Banner,
  - Online direct marketing

\[
\text{trend} \quad \text{ONLINE + OFFLINE}
\]
E- Marketing

Case Studies: One-to-many Communication

OFFLINE COMMERCIAL
http://www.youtube.com/watch?v=y4WrUuyx1Ds

ONLINE COMMERCIAL
http://www.youtube.com/

ONLINE+OFFLINE COMMERCIAL
http://www.youtube.com/watch?v=k0_0Yd4Hf4E
2. One-to-one Communication

Interpersonal Or Computer Mediated Communication Model
It’s the basis for a personalized service and communication

- OFFLINE
  - Retail
  - Agents
  - Direct Marketing

- ONLINE
  - Chat
  - VOIP
  - Online direct marketing

... trend ...

ONLINE + OFFLINE
E-Marketing

Case Studies: One-to-one Communication

OFFLINE INTERPERSONAL COM.

ONLINE INTERPERSONAL COM.

ONLINE+OFFLINE INTERPERSONAL COM.

TESCO
http://www.tesco.com/help/contact/contactus4.asp
3. Many-to-many Communication

Hypermedia Communication Model
Internet offers an alternative to mass media communication. Some applications on the Internet (e.g., personal homepages) represent "narrowcasting" to the extreme, with content created by consumers and for consumers.

- **OFFLINE**
  - Associations
  - Co-buying businesses
  - Sharing businesses

- **ONLINE**
  - Community
  - Web 2.0
  - Customer experience

... trend ...

ONLINE + OFFLINE
Case Studies: Many-to-many Communication

OFFLINE

ONLINE

ONLINE + OFFLINE
“Electronic commerce is about doing business electronically. It is based on the electronic processing and transmission of data, including text, sound and video. It encompasses many diverse activities including electronic trading of goods and services, online delivery of digital content, electronic fund transfers, electronic share trading, electronic bills of lading, commercial auctions, collaborative design and engineering, on-line sourcing, public procurement, direct consumer marketing, and after-sales service. It involves both products (e.g. consumer goods, specialized medical equipment) and services (e.g. information services, financial and legal services); traditional activities (e.g. healthcare, education) and new activities (e.g. virtual malls).”

*European Commission, 1997*
E-commerce

“Why do intermediaries exist?”
- Efficiency
- Transaction costs reduction

Infocommerce: research information online and then buy offline
E-commerce: intermediaries

Intermediary functions:
- Distribution;
- Information;
- Logistic;
- Promotion;
- Matching;
- Payment and financing;
- ...

Firm

End-user
Intermediation / Disintermediation

Diagram showing the flow from Manufacturer/Publisher to Consumer, with nodes for Wholesaler/Distributor, E-tailer, Portal Aggregator, Reintermediation, and Disintermediation.
For **digital products** (software), the whole distribution channel may be Internet based = the supplier can deliver it over the Internet.

- **Non-digital products** (flowers/wine) may be purchased online but must be physically delivered. You can track the shipment using a Web-based interface.