**Chapter 1:**

**Past, Present, and Future**

**Learning Objectives**

**E-Marketing Landscape**

*What works?*

The rapid growth of the Web, the subsequent bursting of the dot-com bubble, and mainstreaming of the Internet and related technologies created today’s climate: the comprehensive integration of e-marketing and traditional marketing to create seamless strategies and tactics.

*Internet 101*

The Internet is a global network of interconnected networks. Three important types of networks form part of the Internet: Public Internet, Intranet, and Extranet.

*E-Marketing is Bigger than the Web*

Many E-marketing technologies exist that predate the Web. Non-Web Internet communication such as e-mail, internet telephony (e.g., Skype) and text messaging are effective avenues for marketing.

*E-Marketing is Bigger than Technology*

Easy, inexpensive, and quick access to digital information transforms individuals, businesses, economies, and societies. Technology allows for connections between individuals and communities, and fosters relationship among businesses and societies.

**E-Marketing’s Past: Web 1.0**

In early years, new start-ups and well-established businesses created a Web presence in hopes of attracting huge sales and market share, but very few were successful. Between 2000 and 2002, more than 500 Internet firms shut down in the United States alone. Despite this early failure, traditional brick-and-mortar retailers noted that Internet technologies had fundamentally changed the structure of theirs and several other industries. In the online world, marketers want to know which specific technologies will result in top line sales and bottom line profitability.

*The “E” Drops from E-Marketing*

The Gartner Group has predicted that very soon the “e” will be dropped from this term, making electronic business just part of the way things are done.

*Marketing Implications of Internet Technologies*

The Internet has properties that create opportunities beyond those possible with the telephone, television, postal mail, or other communication media. These Internet properties not only allow for more effective and efficient marketing strategy and tactical implementation, but also they actually change the way marketing is conducted.

**E-Marketing Today: Web 2.0**

The unique properties and strengths of Internet technologies provided a springboard from the first to the second generation (Web 2.0), and will allow marketers and their markets create the hot new products that capitalize on Web 2.0 technologies.

Information technology, the Internet in particular, has brought about profound changes in today’s marketing practices. These changes have made traditional marketing more efficient and effective in reaching and selling to markets. Opportunities and challenges for marketers revolve around a power shift from sellers to buyers, customer engagement, content marketing, inbound marketing, new technologies, and new technology-based strategies.

**The Future: Web 3.0**

The combination of increased and renewed confidence in e-marketing strategies and higher bandwidth connections have returned profitability in Internet marketing and returned profitability. Because of this increased confidence and return to profitability, many believe that other industries are ripe for restructuring.

*Semantic Web*

Invented by Tim Berners-Lee, the Semantic Web is an extension of the current Web in which information is given well-defined meaning. The Semantic Web makes it easier to access information by providing a standard definition protocol so that users can easily find information based on its type, such as a person and contact information, upcoming social events, local restaurant menus, etc.

*Stepping Stones to Web 3.0*

Many predict that Web 3.0 will include higher bandwidth, faster connection speeds, artificial intelligence, seamless social networking, or modular Web applications eliminating the need for software on individual PCs. Forrester Research believes that interactive media will cannibalize traditional media.

**Chapter Summary**

E-business is the continuous optimization of a firm’s business activities through digital technology. E-commerce is the subset of e-business focused on transactions. E-marketing is the marketing activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. It is the application of information technology to traditional marketing practices.

The dynamic e-marketing environment offers opportunities to develop new products, new strategies and tactics, new markets, new media, and new channels. Individual buyers have more power because of the television remote control, the DVR, the computer mouse, the ability to compare products and pricing online, and the ability to upload content that affects brand images. Web 2.0 social media communities form online to discuss products, connect, and more, and this activity is out of marketers’ control. Today’s marketers use inbound marketing to get found online and attempt to engage customers with content; however, it is a challenge to measure the success of these strategies. Internet adoption and retail sales in most industrialized nations have reached maturity levels. The internet deeply affects the citizens of many countries.

The internet consists of computers with data, users who send and receive the data files on a myriad of receiving appliances, and technology infrastructure to move, create, and view or listen to the content. An intranet is a network that runs internally in a corporation using internet standards. An extranet is an intranet to which proprietary networks are joined for the purpose of sharing information. The Web is the part of the internet that supports a graphical user interface for hypertext navigation with a browser. The internet’s properties allow for a more effective and efficient marketing strategy and tactical implementation and are changing marketing in Web 2.0 by realizing that customers trust each other more than companies; increasing market and media fragmentations, inbound marketing, and customer engagement; shifting power from sellers to buyers; empowering search engines as reputation engines; improving social commerce; and improving online and offline strategy integration (especially multichannel marketing). Content is still king online, but connections are critical in this climate of high broadband connectivity and intellectual capital rules. In the Web 2.0 environment, companies try to engage customers through content marketing, crowdsourcing, and inbound marketing. Finally, new technologies, such as wireless networking, cutting the cord, appliance convergence and many other exciting inventions, open the door to new marketing strategies and tactics.

The internet has evolved from Web 1.0 (content creator makes a Web page and the content consumer views it) to Web 2.0 (every user is both content creator and consumer and they share with one another), and to the future Web 3.0 (individual data presented and shared as desired).

Web 3.0 will be a time of continued receiving-appliance convergence, merging of traditional and social media, increased wireless networking, wearable internet devices, big data, and cloud computing. As well, the semantic Web will change the marketing landscape. It is essential for marketers to realize that television programs, radio shows, news, movies, many books, and photos are simply digital data sent by their creators in electronic form via satellite, telephone wires, or cable and then viewed by the audience on receiving appliances such as televisions, computers, radios, cell phones, smartphones, and other devices. This understanding opens the door for many new product opportunities that provide value to the demanding customers of the future. Web 3.0 will be defined by better technology and Web applications, and automatic receipt of individual data to any connected device.

**Chapter Outline**

**Opening Vignette: The Barack Obama Campaign Story**

*Have the class read the opening vignette on Barack Obama’s 2008 and 2012 presidential campaigns. Discuss with the class the impacts that online marketing and SMS marketing have made on the political landscape and the business world in general. Will e-marketing and SMS marketing continue to be used in the political field? Why or why not?*

*Go to Google and simply search “SMS Marketing” and look at the number of hits. What impact will SMS Marketing have on traditional (TV, print, radio) advertising?*

**I. E-Marketing Landscape**

*The Marketing landscape has not changed. Companies must still meet customers’ needs, and face instant communication and feedback be it positive or negative.*

1. What works?
   1. The comprehensive integration of e-marketing and traditional marketing creates seamless strategies and tactics
   2. Profitable strategy categories can include:
      1. The customer is CEO
      2. E-Commerce
      3. Advertising online
      4. Search engine marketing
      5. Owner, paid, and earned media
      6. Mobile marketing
      7. User-generated content
      8. Social media communities
      9. Content marketing
      10. Local and location-based marketing
      11. Brand transparency
      12. Inbound marketing
      13. Metrics rule
2. Internet 101
   1. The Internet is a worldwide connection of millions of computers that use the Internet Protocol to communicate. This data can be moved over phone lines, cables, and satellites. The Internet has three technical roles:
      1. Content providers create information, entertainment, etc. that resides on computers with network access.
      2. Users (client computers) access content and e-mail over the network
      3. Provides an infrastructure to move, create, and view content (hardware and software)
   2. Three types of networks form the Internet
      1. Public Internet – accessible by anyone, anywhere, anytime
      2. Intranet – network run internally but still uses HTML or other standards
      3. Extranet – two or more proprietary networks joined to share information.
   3. E-business
      1. Defined as the continuous optimization of a company’s business activities through digital technology.
      2. Includes digital communication, e-commerce, online research
   4. E-commerce
      1. Subset of e-business
      2. Focuses on transactions created by buying/selling
   5. E-marketing
      1. The use of information technology for marketing activities
      2. The result of information technology applied to traditional marketing
3. E-Marketing is Bigger than the Web
   1. E-marketing technologies exist without the Web
      1. Mobile apps
      2. Customer relationship management
      3. Supply chain management
      4. Electronic data interchange
   2. Non-web Internet communications are effective marketing
      1. E-mail
      2. Internet telephony (e.g., Skype)
      3. Text messaging
   3. The Internet delivers information to more receiving items other than PCs.
      1. televisions
      2. personal digital assistants
      3. cell phones
      4. refrigerators
      5. automobiles
   4. Offline electronic data collection devices such as bar code scanners receive and send data about customers and products over an intranet.
4. E-Marketing is Bigger Than Technology
   1. We are focusing on the union of marketing and technology, but an overview of the big picture helps one understand e-marketing’s impact.
      1. Individuals – if information is power, individuals have more power than ever before. Consumers use the Internet to compare prices and products, watch movies and download songs, and enables on-to-one communication through several services.
      2. Communities – Chat rooms allow people of any geographic location to discuss topics of mutual interest. Internet communities have formed around **Blogs** (online diaries), business interests, and peer-to-peer file sharing.
      3. Businesses – Technology assists in every aspect of the business world, from filing required government statements to recruitment and training of new employees.
      4. Societies – Digital information enhances economies several different ways, but the impact is not evenly distributed across the globe. The top 10 nations account for 56% of all active Internet users. Although the positive impact on lives is significant, the digital divide of the *have’s* and *have not’s* is widening. **Spam** is one example of problems slowing the positive impact of e-marketing

*The Web was developed at the European Particle Physics Center (CERN) in Geneva, Switzerland. The original purpose of the Web was to enable researchers all over the world to collaborate on the same documents without needing to travel. When the World Wide Web was released in 1991, it was purely text-based. In 1993, the National Center for Supercomputer Applications (NCSA) released a program called “Mosaic”, which was a graphical user interface allowing Web pages to use pictures and include links to audio and video. In 1994, Netscape Communications Corporation was started by some of Mosaic’s developers and over the next few years, Netscape Navigator became the mot popular Web browser. Fred T Hostetler,* ***Internet Literacy*** *(New York: The McGraw Hill Companies, 2003),*

***Spam*** *is a term for unwanted messages posted to newsgroups or sent through email. The term “spam” can be used as a verb or a noun. As of January of 2010, more than 183 billion spam mail messages were being sent every day. Spamhaus estimates that over 90% of incoming e-mail is spam in North America, Europe or Australia. Amazingly, over 81% of all spam mail sent was concerning a pharmacy or pharmaceutical purpose. As much as 80% of spam received by Internet users can be traced to fewer than 200 spammers.*

**II. E-Marketing’s Past: Web 1.0**

*Arpanet started in 1969 by the US Department of Defense. The first webpages and browsers appeared in 1993. The boom and bust of the first generation of e-businesses was similar to a gold rush. Companies saw large sales and gained market share, but only a few showed any profits. A majority of firms had explosive sales growths, but very few had any success in the bottom line. In just under two years between 2000 and 2002, over 500 Internet firms shut down in the United States alone. Online companies have changed the structure of several industries, but marketers have returned to relying on well-grounded strategies and sound marketing practices.*

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1. The “E” Drops From E-Marketing
   1. Contradicting views
      1. Some say that E-business has become just business. E-commerce has become just commerce. The new economy had become just the economy.
      2. Others argue that E-business will always have its own models, concepts and practices.
   2. Most marketing processes remain the same, but technology has given them a new twist.

*It is interesting to note the story about the battle of the online Schwab and the offline Schwab. The online company was allowed to cannibalize the offline company simply because it was more profitable. The online company, e.Schwab.com, produced lower prices, incorporated successful e-marketing strategies, and produced faster growing accounts and assets. For Schwab, e-business is just business.*

1. Marketing Implications of Internet technologies – there are basic properties that give Internet technology the ability to transform marketing activities.
   1. Bits not atoms
   2. Mediating technology
   3. Global reach
   4. Network externality
   5. Time moderator
   6. Information equalizer
   7. Scalable capacity
   8. Open standard
   9. Market deconstruction
   10. Task automation
2. Opportunities abound because of:
   1. Lower costs
   2. Trackable, measurable results
   3. Global reach
   4. Personalization
   5. One-to-one marketing
   6. More interesting campaigns
   7. Better conversion rates (increased purchases)
   8. 24-hour marketing

*“Information overload” is a term made more popular by the advent of the Internet. The fact that anyone with Internet capabilities can access thousands of pages of marketing and product information has created a* ***Good News/Bad News*** *situation for marketers. The good news is that customers have access to virtually unlimited amounts of information; the bad news is that this plethora of information can cause extensive confusion on the part of the customer.*

**III. E-Marketing Today: Web 2.0**

*Web 2.0 has moved from human-to-computer interaction to human-to-human interaction. Social media are web pages allowing social networking and are primarily authored by users.*

1. Power Shift from Sellers to Buyers
   1. Consumers trust each other more than companies
   2. Market and media fragmentation
   3. Connections are critical
   4. Everyone is a content producer
   5. Information transparency
   6. Social commerce
2. Customer Engagement
   1. Involves connecting with a user emotionally and intellectually
   2. Crowdsourcing is one way to engage online users
3. Content Marketing
   1. A strategy involving creating and publishing content on Web sites and in social media
   2. Marketers are beginning to see themselves as publishers
4. Inbound Marketing
   * 1. Getting “found” online rather than interrupting family activities
     2. Components are content, such as blogs, video, eBooks or white paper .pdf files
5. New Technologies
   1. Wireless networking and mobile computing
   2. Cutting the cord: consumers are increasingly cancelling their landlines and televisions and going wireless
6. Appliance Convergence
   1. A receiving appliance is not the same as the media type.
      1. Computers can receive digital radio and television transmissions, and the Web
      2. Computers, PDA’s, and cell phones allow all types of two-way digital transmissions
   2. Appliances like the LG internet refrigerator are many appliances in one:
      1. Television
      2. Internet access
      3. Message center
      4. Stereo
7. Exciting New Technology-Based Strategies
   1. One-click delivery
   2. Voice navigation
   3. Many others constantly emerging
8. Other Opportunities and Challenges in Web 2.0
   1. Internet adoption matures
   2. Online retail sales mature
   3. Search engines are now reputation engines
   4. Image recognition takes root
   5. Improved online and offline strategy integration
   6. Intellectual capital rules
   7. Decline of print media
   8. Online fund-raising increases
   9. Location-based services
   10. The long tail

**III. The Future: Web 3.0**

1. Semantic Web
   1. Marketers want to give customers information when and where they want it – information on demand
   2. Invented by WWW co-inventor Tim Berners-Lee
   3. The semantic Web utilizes HTML-like tags to give information well-defined meaning
   4. Examples: a person, contact information, next available appointments, or restaurant menus
   5. The Gartner Group believes it will arrive by 2026
2. Stepping Stones to Web 3.0
   1. Web 3.0 will probably feature higher bandwidth, faster connection speeds, artificial intelligence, and seamless social networking
   2. Predictions include wearable computing, 3D printing, big data, Google Wallet, and cloud computing
   3. Key technologies that affect marketing strategies include:
      * 1. Any channel, any device, anywhere – Bring your own everything
        2. Smarter things
        3. Big data and global scale computing at small prices
        4. The human way to interact with technology
        5. Near field communication
        6. The voice of the customer is on file
        7. 3D print at home