

MARKETING: IT'S ALL ABOUT DIGITAL

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Abstract. *The digital economy is more than a hope; it has become a constant presence in our everyday life. Computers, TVs, smart phones, tablets, smart watches, smart gas detectors, even smart clothes: everything seems to be smart and connected. We really live in the era of the Internet of everything, when objects around us become everyday even more intelligent. What changes in such times the marketing practice? As we'll show further, the answer is: almost everything. This is a conceptual paper based on current literature review and statistics on the use of digital tools affecting the marketing practice and even the marketing strategies, besides the current perspective of what we call "digital marketing". We'll investigate the changes in the buying behavior, the increasing sophistication of consumers and their attitudes towards brands while using smart products and mobile media. The aim is to show a change of paradigm in understanding digital marketing not only as a tool of the marketing mix, but as a new philosophy of business.*

Keywords: *digitalization; digital marketing; Internet of everything; smart objects.*

Understanding the digital economy

The term "digital economy" is not new. It was introduced by Don Tapscott, in 1995, being alternatively called "new economy", and characterized by the extent use of the digital information (Tapscott, 2015, p.16). Even since 1995, it has been clear for researchers that the new economy was not just a metaphor for indicating a specific part of the IT&C sector, but an exponentially growing trend expected to dramatically transform the entire economy as we know it.

In the last twenty years, the digital economy has become reality at such a level that the November 2014 issue of *Harvard Business Review* was concentrated around the theme of the Internet of Everything, the next step of Internet of Things (Miklovic, 2014), analyzing especially how information technology is revolutionizing not only communication, but products: "once composed solely of mechanical and electrical parts, products have become complex systems that combine hardware, sensors, data storage, microprocessors, software, and connectivity in myriad ways. (...) The changing nature of products is (...) disrupting value chains, forcing companies to rethink and retool nearly everything they do internally." (Porter & Heppelmann, 2014, p.66).

Everything changes in the era of the digitalization: customers, buying and consumption, products, distribution, promotion, internal organization of companies in order to meet the new market requirements and to address the specificity of their young employees - the digital natives. There is a "digital revolution" (Lanzolla & Anderson, 2010) that we can summarize, but not entirely characterize, by the following facts that we'll present further.

It is commonly accepted (Porter & Millar, 1985; Porter, 2001) that we already experienced two waves of IT that shaped the economic reality. The first wave of IT took place during the 1960-1970, and was defined by the increasing level of automatization (mainly in industry) that led to process standardization and increased productivity. The second wave of IT is the one of the 1980s and 1990s, being synonym with the rise of Internet and with a communication that transpassed frontiers and affected mainly the information and distribution processes. During the second wave of IT, instantaneous communication, global e-commerce and constant sharing of ideas became a comfortable routine. However, products

remained largely unaffected up to now (Porter & Heppelmann, 2014, p.67). At present, with their constant transformation from ordinary products to “smart products”, always interconnected through the technology of embedded sensors, processors, software and cloud storage of collected data, we see now the rise of the third wave of IT. Economy changes: after the standardization of processes, the end of the limited communication and distribution, it is time for the revolution of products – and it seems that there are enough buyers in order to make the transition from classic to digital an easy one.

As shown by Porter (2001): “The great paradox of the Internet is that its very benefits - making information widely available; reducing the difficulty of purchasing, marketing, and distribution; allowing buyers and sellers to find and transact business with one another more easily - also make it more difficult for companies to capture those benefits as profits.” As a matter of fact, because of the second wave of IT, consumers (meaning end users) changed their buying habits and actually gained bargaining power. Consumers buy today online or actively search for information before buying: they migrate from one supplier to the next, from one geographical market to another, because of the simple way to compare and to buy with only one click. Therefore, their behavior and expectations changed and that shapes once more the economic landscape. This changing is expected to continue, at least in quantitative terms (see figure 1 on the evolution of retail e-commerce sales worldwide).

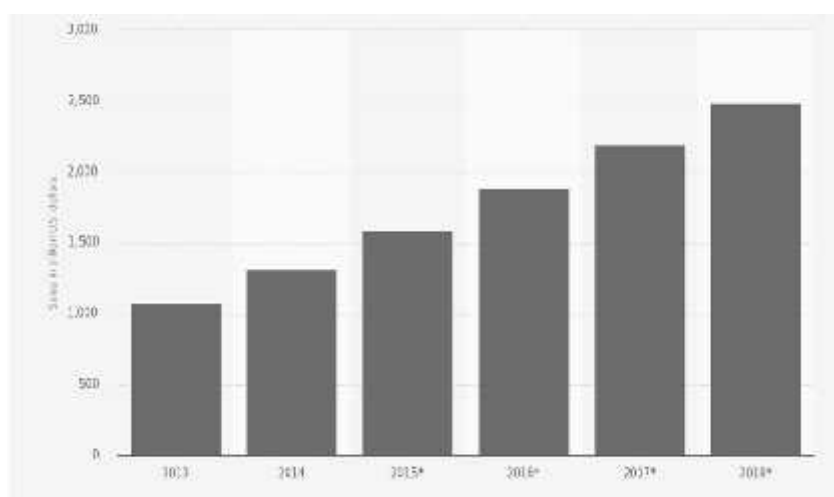


Figure 1. Retail e-commerce sales worldwide expected evolution (Statista, 2015a)

As a direct effect of the availability of information in the digital age, “consumer informedness” is highlighted by researchers (Piccinini et al., 2015): “Consumer informedness means that consumers are well informed about products or services available on the market, with precise prices and attributes, which influences their willingness to pay and changes their purchasing decisions. (...) As consumers become more informed, they develop a certain digital competence. This refers to the ability that consumers develop through Internet and mobile technologies to solve many purchase and service issues online, without the assistance of a company’s intermediary when buying goods and checking the status of their order online” (*ibid.*, pp.1641-1642). Even more: information is commoditized (Shapiro & Varian, 2013), which means that it is sold as another useful merchandise and / or directly shared with almost no cost at all (Small & Sage, 2006). Never before information has been so affordable and visual: each month more than 1 billion people access freely YouTube (Socialbakers, 2015) and 400 million people use Instagram (Statista, 2015b), the photo and video sharing social networking service that enables users to take their own pictures and film their own videos, edit them with a selection of digital filters and publish them online.

Millions of consumers worldwide make already the transition to the smart products: the connected U.S. homes already have connected smoke / CO detectors (7,1%), connected thermostats (5,3%), remote videos (4,2%), connected locks (3,5%), but 40% of owners don’t know the brand of their device, as they buy it specially from service providers or retail outlets (McKinsey, 2015a) – which puts more pressure on smart products’ brand managers in order to create awareness for their brands.

Two forces reshaping the economic landscape are active: technology itself and the constantly increasing sophistication of consumers. Therefore, companies must find new ways to remain on market with classical products and services or to gain market share with new smart products – and that, in a context that valorizes visual aspects, response fastness and generic agility.

Marketing in the digital economy: the shift from “classical” online marketing to the Millennials “approved” marketing

Digital marketing, as the digital economy itself, is not a new concept either. For instance, researchers are discussing even since 1998 on the necessity to develop an integrated perspective on leveraging interactive media for marketing, which they refer to as “digital marketing” (Parsons et al., 1998) or “online marketing”. The 2000s were marked by a continuously increasing attention paid to evolving marketing techniques using digital instruments: e-mail, social media, blogging, automatic customer relationship marketing and, more recently, mobile marketing. For a time, digital marketing tended to be understood as a new form of advertising, therefore the amount of discussions on Internet as the new destination for advertising budgets was – and continues to be - considerable (Meeker, 2015).

Still, technology and consumers behavior changed so fast that digital marketing had to change also from a new form of BTL communication to a new form of understanding strategic marketing: “To be successful, marketers can’t simply add a few digital activities to their traditional plans (as they still do now – *author’s note*). Instead, they must fundamentally re-craft their approach to marketing around the features of new media and digital marketing.” (Wertheim & Fenwick, 2011). This is even more important when speaking of the new category of consumers: the digital natives, also called the Millennials or the Generation Y. “Marketers are rethinking their strategies targeted at Millennials. The brands that were popular with their parents are being rejected by this generation. Having grown up in an even more media-saturated, brand-conscious world than their parents, they respond to ads differently.” (Smith, 2011, p.493).

The digital natives are people born after 1980 / 1981 and they were dramatically influenced by the Internet evolution. Scholars show that Millennials tend to be investigative (Tapscott, 1998), in need to control their environment and to have more time for themselves than for work (Alsich, 2000). This can explain why there are digital natives who prefer to create their own content through blogs, vlogs etc., rather than to consume the existing one. For these new consumers, adapted marketing strategies use coupons, graphics, bright colors, interactivity, and personalization (Smith, 2011, p.496).

The Millennials are anxious and interested to make good impression around them, but they also have big expectations from the other people, from companies and from brands. Real digital omnivores, they spend 71% of their time for media consumption, mainly digital media and structure the collected information in a non-linear way, watching multiple screens at the same time. These characteristics have a direct influence on their buying habits, as they expected especially customized products and services (Mitan, 2014).

The digital natives are the first (but not the only) consumers empowered by the tremendous development of web 2.0, especially by social media, being engaged often in negative reactions especially towards brands (Svulescu, 2014). This fact puts pressure on brands, as they become vulnerable, maybe for the first time in history – a situation classically considered as unacceptable in the classic marketing practice, where brands are not supposed to have weaknesses in front of their audiences (Xia, 2013).

Digitalization and over-exposure to media have led to audiences’ fragmentation and to an expressed necessity of users’ implication. As shown above, Millennials want to be in control, to express their opinions, to be taken into consideration and considered as active participants in communication and not as simple receptors. Therefore, the marketing practice in the digital economy adds a new challenge: brand management evolving paradigm, from simple expression of desired positioning, to co-creation,

interactional focus and multiple layered interactions led by consumers (Quinton, 2013). This means that all cultural changes induced by technology should be considered and that marketers reshape their strategies and techniques putting digital in the center of their activity, not considering it as a new communication channel with selected consumers.

Is this a current practice already or is it more a desirable attitude discussed in the academic environment? The latest European statistics show a complex attitude of enterprises towards digitalization (see figure 2): they still understand digital tools more like a window to show their best to the world, i.e. to consumers (almost all European enterprises have a website). Still, less than half of the European enterprises seem to be prepared to digital personalized interaction with their customers, as there is only a minority of them using CRM systems: 28% at European level (see figure 2). Paradoxically, using CRM is a one of the instruments that enterprises can adopt in order to manage a direct, personalized communication with their customers – one of the aspects that characterize the digital economy at such a level that end users participate actively and continuously to the products' creation (Tapscott & Williams, 2010, p.218).



Figure 2. Enterprises adopting technologies for e-business, by size class, EU-28, 2014 (% of enterprises) (Eurostat, 2014)

Should enterprises rethink their ways to do marketing and to manage their brands? The answer is undoubtedly “yes”.

Consumers live today technologically and integrate technology in their everyday life, but this doesn't mean a linearity of the purchasing process. Paradoxically, there are studies showing that even if Millennials are more active at integrating technologies into their daily lives for marketing purposes (by using mobile devices and traditional internet to connect to retailers or brands and to engage in social networking), they “do not use the Internet to purchase products as much as supposed” (Moore, 2012, p.441). As a matter of fact, the first thing that marketers should understand is the trend of the Millennials buying not as much online, despite their appetite for gathering information on the go, including promotional information (*ibid.*, p.442). Even if the digital natives are eager to download and use apps for everyday use, these apps are useful marketing tools for companies only if the Millennials appreciate them as a source of plus value – which can be a difficult task for marketers when trying to address the “dubious Millennial consumer” (*idem*).

Useful, on the go, colorful, clear, attractive, but not too persistent: some studies show that not only that Millennials prefer digital marketing techniques meeting these requirements, but also that the contact frequency between the brand and the consumer, especially through mobile, should be carefully calculated, in order not to irritate the Millennial consumers with too much contact or exaggerate promotional promises (Henrie & Taylor, 2009). Paradoxically, these consumers are attracted to experience and personalization and even if they don't want to be annoyed by too much brand communication, they are less patient then ever in relation with brands (Weber & Prodromou, 2015).

The right mix between credible brand content and appropriate digital advertising frequency seems to be the actual challenge for marketers when addressing the Millennials. Still, this is far to be the only one challenge that marketers face in the digital age: the consumer journey itself is changing and all marketing processes with it.

Further discussions: towards a new business philosophy

The digital revolution shapes a new consumer journey with the rise of the mobile and smart devices: the companies having automation capabilities in gathering and using data from the mobile devices, as well as proactive personalization strategies for consumers, and fast contextual interaction during consumers' use, are more likely to transform the customer journey in a competitive advantage (McKinsey, 2015b). The companies' answer to the increased customer empowerment over the past decade has been a constant race to develop big data and analytics capabilities, in order to be sure that they remain proactive and thus, retain their customers (Edelman and Singer, 2015). This shifts the focus from the brand to the consumer journey, putting pressure on the alignment of gathered data, consumers' digital (especially mobile) communication, products and / or services buying moments and monitored usages.

In the digital age, the product or the brand manager makes place to a new organisational position: the one of the journey product manager (*idem*), in charge with the management of the journey design (the look and feel strategy of the customer journey), the development (of the apps, websites and automatic moments), the analytics (by tracking customers in real time situations of purchasing and usage), the operations (all back-end support for each stage of the journey), and marketing (ensuring that the brand standards are embedded throughout the journey, in all aspects of targeting and personalization). "To build successful journeys, these managers rely on "scrum teams" of specialists from across IT, analytics, operations, marketing, and other functions. The teams are execution-oriented, fast, and agile, constantly testing and iterating improvements." (*idem*).

Consumers prefer today that brands would interact with them using the digital medium as human beings (Van Noort et al., 2014), which puts even more pressure on automation and content creation: automation for back-end processes and content for dialogue situations. And this pressure translates into increased costs: companies must invest in technology, in maintenance and in ensuring data security. It is a topic to be developed, as increased costs led to lower margins or to increased prices.

The future of marketing is more than ever challenged to integrate all aspects influencing the customer experience, an obvious fact in an era when everything is (or will soon be) interconnected. Further research should evaluate enterprises' digital maturity and preparation for integrated customer journeys in all their strategies and tactics, as well as the impact of the costs' transition to a business philosophy of the digital consumer journey as a competitive advantage.

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