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: Intranet, Extranet, and Web.

E-Marketing is Bigger than the Web
Many E-Marketing technologies exist that predate the Web. Non-Web Internet communication such as email and newsgroups 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, over 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 predicts that very soon the "e" will be dropped, 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), an 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.

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.

Consumer Control – But Not Complete Control
Television remote controls and computer mice have limited the attention span of consumers and put control in the palms of their hands. Marketers are losing control due to personal video recorders and other mediums that allow consumers to have information on demand.

Appliance convergence
With the advent of digital data, the receiving of digital data signals has become both mind boggling and exciting because of the opportunities. Digital television signals can be sent through satellite, telephone wires, or cable and then viewed on a television, computer, cell phone, PDA, or other such devices. Computers, PDA's, cell phones and television sets allow all types of two way digital multimedia electronic transmissions.

Traditional and Social Media Lose Their Distinction
Marketers currently allocate advertising budgets by media type, and audiences do not discriminate between mediums. YouTube videos are not viewed differently than videos aired on NBC.

Wireless Networking Increases
General Packet Radio Service is close to being a third-generation Web device (3G). Cell phones, PDAs and Mini PCs are an indication that Web 3.0 is eminent.

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

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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.

What Will Characterize Web 3.0?
"Web 1.0 was dial-up , 50K average bandwidth, Web 2.0 is an average 1 megabit of bandwidth and Web 3.0 will be 10 megabits of bandwidth all the time which will be the full video Web, and that will feel like Web 3.0" (Reed Hastings, founder of Netflix)

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 *use of information technology* in the processes of creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders. It is the application of information technology to traditional marketing practices.

The dynamic e-marketing environment poses competitive, economic, and other threats even as it offers opportunities to develop new products, new markets, new media, and new channels. Individual buyers have more power because of the television remote control, computer mouse, and the ability to compare products and pricing online, and the ability to upload content that affects bran images. Web 2.0 communities form online to discuss products, share files, and more, and this activity is out of marketer's control. Most businesses in developed nations have adopted at least some information technologies, however, they continue to strive for effective and efficient IT use to entice and sell to buyers. The Internet deeply affects the citizens of many countries.

The Internet consists of computers with data, users who send and receive the data files, and a technology infrastructure to move, crate, and view or listen to the content. An intranet is a network that funs internally in a corporation using Internet standards. An extranet is an intranet to which value chain partners are admitted for strategic reasons. 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 more effective and efficient marketing in the Web 2.0 by shifting power from sellers to buyers; empowering search engines as reputation engines; increasing market and media fragmentation, and improving online and offline strategy integration (especially multichannel marketing). Content is still king online, but connections are critical in this climate and intellectual capital rules. Finally the long tail theory showed that the economy has changed from one of scarcity to one of abundance.

In the future, Web 3.0 will be a time of engagement, participation, and co-creation where consumer control, increased wireless networking, receiving-appliance convergence, merging of traditional and social media, refined engagement metrics, and the semantic Web will change the marketing landscape. It is essential for marketers to realize that television programs, radio shows, news, movies, 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, PDAs, and other. This understanding opens the door for many new product opportunities that provide value to demanding customers of the future. Web 3.0 will be defined by better technology and Web applications, and possibly artificial intelligence.

Chapter Outline

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.

    A. What works?
        1. The comprehensive integration of e-marketing and traditional marketing creates seamless strategies and tactics
        2. Profitable strategy categories can include:
            i. E-Commerce
            ii. Advertising online
            iii. Search engine advertising
            iv. User-generated content
            v. Online communities
            vi. Personalization and customization
            vii. Internet communications
            viii. Mobile Internet access
            ix. Local marketing
            x. Online aggregators
            xi. Marketer transparency
            xii. Infrastructure processing
            xiii. Metrics rule

    B. 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:
            i. Content providers create information, entertainment, etc. that resides on computers with network access.
            ii. Users (client computers) access content and e-mail over the network
            iii. Provides an infrastructure to move, create, and view content (hardware and software)
        2. Three types of networks form the Internet
            i. Public Internet – accessible by anyone, anywhere, anytime

    ii. Intranet – network run internally but still uses HTML or other standards

    iii. Extranet – two or more proprietary networks joined to share information.

  3. E-business

    i. Defined as the continuous optimization of a company's business activities through digital technology.

    ii. Includes digital communication, e-commerce, online research

  4. E-commerce

    i. Subset of E-business

    ii. Focuses on transactions created by buying/selling

  5. E-marketing

    i. The use of information technology for marketing activities

    ii. The result of information technology applied to traditional marketing

C. E-Marketing is Bigger Than the Web

  1. E-marketing technologies exist without the Web

    i. Customer Relationship Management

    ii. Supply chain management

    iii. Electronic Data Interchange

  2. Non-web Internet communications are effective marketing

    i. E-mail

    ii. Internet telephony

    iii. Text messaging

  3. The Internet delivers information to more receiving items other than PCs.

    i. televisions

    ii. personal digital assistants

    iii. cell phones

    iv. refrigerator

    v. car

  4. There are offline electronic data-collection devices like bar code scanners used to send data over an Intranet about customers and products.

D. 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.

    i. 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.

    ii. Communities – Chat rooms allow people of any geographic location to discuss topics of mutual interest. Internet communities have formed around **Blogs** (online Web logs), online gaming, and peer-to-peer networking

iii. Businesses – Technology assists in every aspect of the business world, from filing required government statements to recruitment and training of new employees. A 2002 survey of executives revealed that at least half of those surveyed expressed the need for e-business to build better-quality customer relationships, find business partners, develop opportunities and build better brand visibility.

iv. Societies – Digital information enhances economies several different ways, but the impact is not evenly distributed across the globe. Just 16% of the world's population has access to the Internet. Only 20 countries account for 90% 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 or 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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    A. The "E" Drops From E-Marketing
        1. Contradicting views
            a. Some say that E-business has become just business. E-commerce has become just commerce. The new economy had become just the economy.
            b. 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.
        3. What will happen to marketing when most consumers are able to fast forward through television commercials and block online advertising?

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.

    B. 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

    C. 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

    D. E-Marketing Today: Web 2.0
        1. Web 2.0 now connects people to people
            a. Social media

b. User generated media (IGM)
2. Information technology has brought about profound changes in traditional marketing.
   a. Power shift from sellers to buyers – the Internet has created a one-world market in which global competition is only one mouse click away.
   b. Market fragmentation – cable television, special interest magazines, and most significantly, the Internet have forced marketers to create products and communication to very small target groups.
   c. Death of distance – geographic location is no longer a factor for buyers or sellers.
   d. Time compression – time is no longer a factor as online stores are available 24/7.
   e. Knowledge management is key – Information is readily available and relatively inexpensive. However, transforming this information into useful data can be quite daunting.
   f. Interdisciplinary focus – successful marketing managers must understand technology to harness its power.
   g. Intellectual capital rules – imagination, creativity, and entrepreneurship are more important than money.

*"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.

A. Power Shift from Sellers to Buyers
Marketers are preparing to give up the steering wheel to a new breed of consumers who want more control. Consumers are literally one-click away from competitive pricing and information on every good and service available. This control started with the television remote and the computer mouse.
    1. Consumers trust each other more than companies
    2. Market and media fragmentation
    3. Connections are critical

B. Inbound Marketing
    1. Getting "found" online rather than interrupting family activities
    2. Components are content:
        i. Blogs
        ii. Video
        iii. eBooks
        iv. White paper. PDF files
    3. Success of Inbound Marketing and Social Media referrals
        i. *USA Today* received 35% of traffic from social media vs. 6% from Google search
        ii. Etsy, an online retailer, received 24% from social media vs. 12% from Google
        iii. People magazine received 23% from social media vs. 11% from Google

C. Customer Engagement
Engagement involves turning on a prospect to a brand idea enhanced by the surrounding context.

D. Social Media Metrics
    1. Voice of the customer
    2. Does not measure site engagements
    3. Does not track amount of conversation

E. Other Opportunities and Challenges
    1. Internet adoption matures
    2. Online retail sales mature
    3. Search engines are now reputation engines
    4. Content is still king
    5. Improved online and offline strategy integration
    6. High broadband adoption at home
    7. Intellectual capital rules
    8. The long tail

III. The Future: Web 3.0

A. Appliance Convergence
  1. A receiving appliance is not the same as the media type.
     a. Computers can receive digital radio and television transmissions, and the Web
     b. Some items, like radios and FAX machines are limited in receiving capabilities
     c. 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
     a. Television
     b. Internet access
     c. Message center
     d. Stereo

B. Traditional and Social Media Lose Their Distinction
  1. Historic means of allocation
     a. Newspaper
     b. Television
     c. Internet
  2. Current means of allocation
     a. PDA
     b. Cell phone
  3. Craigslist/Ebay/Internet

C. Wireless Networking Increases – Wireless networking allows cell phone, PDA's and PC's to connect to the Internet virtually anywhere.
  1. Several major airlines offer Internet connections on airplanes
  2. Autonet Mobile offers in-car routers that turn cars into WiFi hot spots.
  3. Starbucks offers instant access to music information through the ITunes WiFi music store
  4. There are more than 300,000 WiFi access points in 140 different countries.

D. Semantic Web
  1. Marketers want to give customers information when and where they want it.
  2. Marketers use several different receiving appliances to convey their messages.
  3. The Semantic Web is an extension of the current Web making it easer to obtain information by:
     a. Providing information based on type
     b. Person, contact information, next available appointment, restaurant menu's.
  4. The Semantic Web was invented by Sir Tim Berners-Lee.

E. What Will Characterize Web 3.0?

"My prediction would be that Web 3.0 will ultimately be seen as applications which are pieced together. There are a number of characteristics: the applications are relatively small, the data is in the cloud, the applications can run on any device, PC or mobile phone, the applications are very fast and they're very customizable. Furthermore, the applications are distributed virtually: literally by social networks, by email. You won't go to the store and purchase them . . . That's a very different application model than we've ever seen in computing."
ERIC SCHMIDT,
CEO of Google