

Marketing Industry in the Digital Era

LILIANA DUGULEANA, CONSTANTIN DUGULEANA

Management Department; Finances, Accounting and Economic Theory Department

Transilvania University from Brasov

29, Eroilor Str., Brasov

ROMANIA

ldugul@unitbv.ro, cduguleana@unitbv.ro, <http://www.unitbv.com>

Abstract: - The paper presents the complexity of marketing concepts as a consequence of ICT development. The components of mix marketing get new meanings and the new marketing communication channels offer new ways of advertising and new indicators to measure the effects. The searching engines' sites for the online marketing represent challenges for the marketing firms. An analysis of Internet transactions in correlation with the percentages of households with broadband access presents some statistic coordinates of electronic commerce in the digital era of the New Economy.

Key-Words: - Internet, Marketing, Communications, Advertising, Searching Engines' Sites, New Economy

1 Introduction

The Internet became unailing for the people of XXI-st century. It means free information. In only twenty years, the phenomenon *www* knew a remarkable development.

From a simple theoretical model in a university, the Internet transformed itself in a powerful system, deeply link with the economic medium.

The appearance of Internet led to a lot of changes in Marketing Industry.

Bob Garfield wrote in April 2005, a manifesto entitled "A Look at the Marketing Industry's Coming Disaster", which presents his vision of chaos in marketing.

The scale of change, that Bob Garfield sees, is taken by the visionaries who will show how to adapt to the epochal challenges arising from this time, when "almost everything you thought you knew is wrong". Garfield predicts a period of great chaos like a bifurcation point where the old continuing order fights against a new coming order".

The chaos attends the period prior to the new order's ascendance" (Bob Garfield, 2005). The traditional marketing model is not good anymore and a better alternative should be established.

2 The Internet and the Web - New Marketing Communication Channels

In Digital Era the classical channels and marketing means of distribution and communication are replaced by the ways offered by the *Internet* and *World Wide Web*. The terms *Internet* and *World*

Wide Web are not synonymous, meaning two different things and they should not be confused.

The *Internet* is a huge network of networks, a networking infrastructure, which connects together millions of computers. In this network any computer can communicate with any other computer as long as they are both connected to the Internet. The information over the Internet travels via a variety of languages known as protocols.

The protocol is a format for transmitting data between two devices. The protocol contains the data compression method and other information. The protocol can be implemented either in hardware or in software. There is a variety of ways to access the Internet, like through a commercial Internet Service Provider (ISP).

The World Wide Web or simply *Web*, uses a system of Internet servers. The Web is a way of accessing information over the Internet. The Web is model of sharing information on the Internet.

The Web utilizes browsers, such as Internet Explorer or Netscape, to access Web documents called web pages, which are linked to each other via hyperlinks. Web documents contain graphics, sounds, text and video. Using the links everyone can jump from one document to another by clicking on the spots. Every web page is identified by a unique URL (Uniform Resource Locator).

There are a lot of Web server software applications. Not all Internet servers are part of the World Wide Web. The Web is just a large portion of the Internet.

3 Advertising on the Internet

The democratization of information was the most influential result of development of ICT.

In the last few years, the Internet Advertising became a real industry of marketing. So, the ICT offer the space for the development of this industry.

A page view is a request to load a single HTML page. Page views are only important to the degree they play a part in a site's revenue model.

There are web sites, which earn much of its revenue from advertising. In these cases the page views are important because of their contribution to ad inventory. For the sites which only earn revenue on sales, the page views are not a key aspect and from this perspective, the page views without corresponding sales may even be considered as an expense. An impression is a single instance of an online advertisement being displayed. There is no standard way to count impressions.

The people make purchases based on impression every day. So there is difficult to find a definition, but this is currently, whatever a buyer and seller agree on.

3.1 Measures of Internet Advertising - CPM of Impressions

CPM means Cost Per thousand impressions and it is abbreviated as *CPM* (the letter "M" in the initial major letter of the Roman numeral for one thousand). The CPM model refers to advertising bought on the basis of impression.

CPM is used by Internet marketers to price ad banners. There are accessed Web pages that sell advertising and that guarantee an advertiser a certain number of *impressions* (the number of times an "ad banner" is downloaded and seen by visitors). If the visited page has three ads, this means three impressions. Advertisers use impressions to measure the number of views that their ads receive.

The sites' owners sell ad space according to impressions, setting a rate based on that guarantee times the CPM rate. Impressions are tracked in a log file maintained by a site server and they are often sold on a cost per thousand (CPM) basis.

3.2 Measures of Internet Advertising – the "Click-through" Process

The "click-through" is means the process of clicking through an online advertisement, being the most immediate response to it.

The number of click-throughs can be a good indicator of the interest involved by the advertising and even more important when these click-throughs

are used as the measurement on which payment is based. The "click-through rate" (CTR) is the average number of click-throughs per hundred ad impressions, expressed as a percentage.

The CTR measures what percentage of people *clicked on the ad* to arrive at the destination site. The CTR may be seen as a measure of the *immediate* response to an ad, but not the *overall* response to an ad. When the Web site traffic is generally accepted as a measure of success, than getting visitors to a site had a real value.

A high *click-through rate* does not assure a good conversion rate, sometimes it can be oriented towards curiosity clicks, which can result in fewer sales.

3.3 Cost-Per-Action (CPA) and Cost-Per-Click (CPC) models

The Cost-Per-Action (CPA) is the model of online advertising payment, in which the payment is based solely on qualifying actions such as sales or registrations. The actions defined in a cost-per-action relate directly to sales and registrations.

There are also actions based solely on solely clicks, which are referred to specifically as *cost-per-click* or *CPC*.

The *cost-per-click* or *CPC* is the cost or cost-equivalent paid per click-through. The terms pay-per-click (PPC) and cost-per-click (CPC) are sometimes used interchangeably, but also as distinct terms. When used as distinct terms, PPC indicates *payment* based on click-throughs, while CPC indicates *measurement* of cost on a per-click basis for contracts not based on click-throughs.

The payment can be based on impressions or on clicks. The Impressions can be sold for a sum CPM with an established click-through rate (CTR). So it can be calculated the CPC.

In a spectrum of the volatility of advertising actions from the most uncertain to the most sure, the cost-per-impressions model (CPM) is placed at left, at the beginning of the spectrum, being followed in the middle by the cost-per-click (CPC) model and the cost-per-action (CPA) model is at the other end, at the right.

This spectrum can be considered as one of an ascending pricing value, where the CPA model offers the most widespread use of performance-based pricing. The merchants and the advertisers determine what actions they want to reward and how much they are willing to pay.

The *Customer Acquisition Cost* is the cost associated with acquiring a new customer.

This indicator is calculated by dividing total acquisition expenses by total new customers. An acquisition expense varies across industries and mediums. The customer acquisition data can be scarce, and the methodology is often sketchy.

4 The Searching Engines' Sites for the Online Marketing

Today the great world companies are oriented to this field, and firms as *Google Inc.* or *Yahoo!*, even young, without history, they succeeded in only ten years of function to become the dominant giants of this sector of communication technologies, but not only. Benefiting from this unprecedented evolution, thousands of people oriented to the development of virtual properties, of web-sites, a lot of them became real success contractors, building in some cases, affairs of millions of dollars and euros.

A famous case is that of a young boy of twenty-four years, Mark Elliot Zuckerberg, the founder of the site *Facebook.com*. His company was evaluated at the most discussed value of 15 billions of U.S. dollars. Microsoft bought in 2007, 1.6% from the stocks of this company for the fabulous sum of 246 millions of U.S. dollars. The site *facebook.com* completed four years of living, in February 2008.

Extremely evolution of these kinds of sites is based mainly on some essential characteristics: the facility of usage, the high scale and the development possibilities of the application, easier social interaction, much more opportunities for personalization, rich content and simple design and free access for everyone.

Based on these qualities, sites of searching motors, like *Google*, blog platforms as *Blogger* or *Wordpress*, social sites like *hi5*, vote system based sites like *del.icio.us*, *digg*, interconnection *real time* like *Twitter*, or sites which offer statistics as *Technorati* or *Alexa*.

There are also penalization aspects for the searching engines over all the sites, using a structure of index, for the reason of results manipulation of the key words searching.

5 The Internet Businesses in the New Economy

The development of ICT - Information and Communications Technologies determined deep changes of the economic concepts and conducted to the development of a New Economy.

New levels of economic development are attained, a relational economy appears, with a global culture at regional and even at world level. The reducing of spaces and time give another dimensions of economies.

New economic theories appear for interpretation of phenomena and also economic laws. In the New Economy the markets become dynamic and the area of competition is a global one.

In Figure 1 there are presented for year 2007, the percentages of Internet Selling and Purchasing for all industries' businesses with 10 or more employees in each industry group.

The countries are in descending order of Internet purchasing businesses percentage. For all the countries the online purchasing is higher than Internet selling. Denmark and Finland are countries with the closest values of these two flows of transactions.

The average value of the indicator Internet purchasing is 36%.

It can be easily noticed that the countries can be divided in two groups: over and under this mean. The countries occupying the first places over the average have lower percentages of households with broadband access than the relative values of purchasing, and for some countries, as: New Zealand, Ireland, Greece, even lower than the selling percents.

The economic performances in these countries are based on the Internet transactions mainly between the economic operators on the markets and not especially on the demand of the households. For the countries situated under the average of online purchasing percentage, the weights of the households with Internet, are higher than the other two analyzed percentages.

The second group of countries can be divided itself in two groups: developed countries which have the percentage of Internet transactions in the interval 30-40%, and the developing countries, whose percents of online transactions do not exceed 20%.

It can be noticed the high values of percentages of households with broadband access, for the group of developed countries: Ireland, Denmark, Netherlands, Japon, Luxembourg, Finland and the highest value for the interesting country, Korea, which have the percentage of Internet transactions in the interval 30-40%.

Also there can be seen the group of developing countries which have also the weights of household with broadband access higher than their percentage of online businesses.

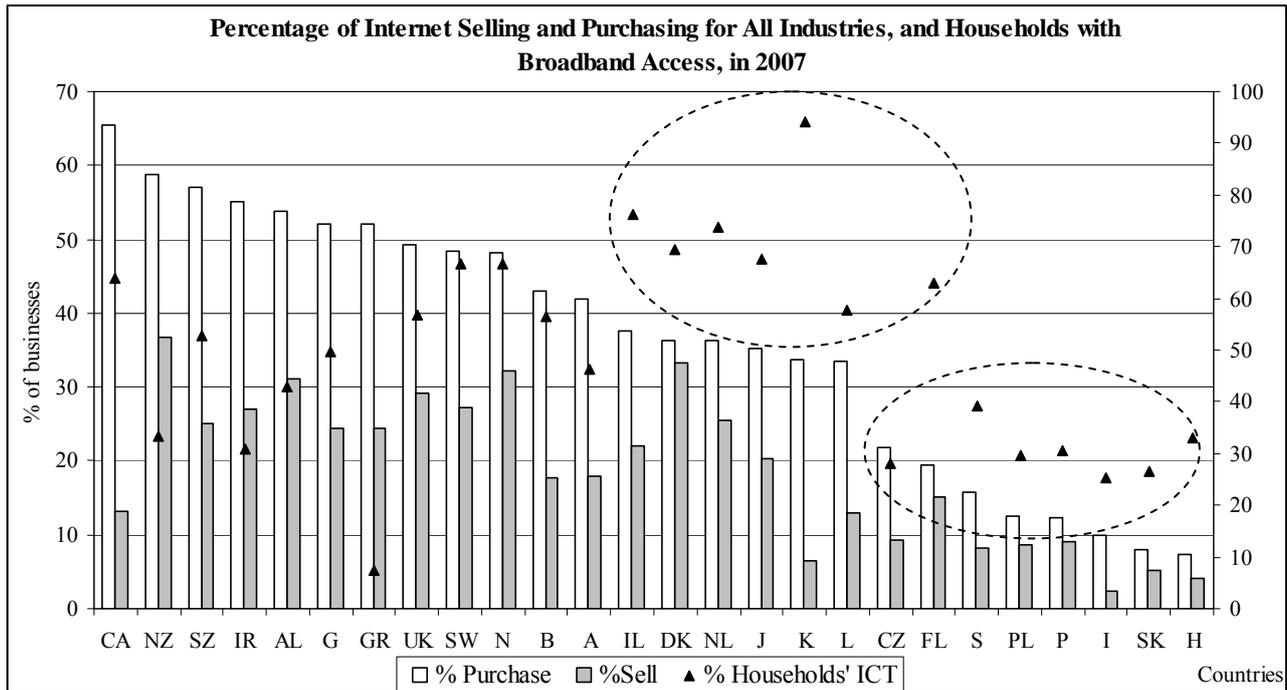


Fig. 1. Percentages of businesses from all industries and households' with Internet access in some OECD Countries, in 2007

Source: OECD, ICT database and Eurostat, Community Survey on ICT usage in enterprises, September 2008.

The analyses must be conducted in correlation with other aspects of economic and social development in these countries, as: unemployment rate, the labor force costs, productivity.

6 Conclusion

The total democratization of media, the total addressability of marketing communications, make possible the individuals expressed their own free choice for every product and service they want to buy. The control over the consumption of media is an empowering of a new world, where is possible the transition from TV to online, from mass media to micro media, from mass marketing to permission marketing.

The changes assumes a large range of aspects to be accomplished, which can not happen so quickly as the ICT processes take place. The aspect to be envisaged are: the size of broadband penetration, insufficient capacity to handle the change in a transition from network to online, the quality of online productions, the financing to produce the programming of high enough quality to reach the audiences, the legislation for the peer-to-peer software, which permits affordable transfer of large video files, and also enables video piracy, the cost as pricing the online space will drive prices upwards, the suitability of a diverse content which constitutes

a legitimate advertising medium, the content divide convergence meaning technological, economic and social disruption.

Rishad Tobaccowala, the Chief Innovation Officer of Publicis Groupe Media, one of the most influential thinkers in the North American advertising industry, said: "even if all the technology were in place and scaled up to size, what isn't ready really is either clients, agencies, or the media companies, because in effect what we have to change is the way we do business."

References

- [1] Holbrook, Morris, B.: *Adventures in Complexity*, Academy of Marketing Science Review [Online], 2003. <http://www.amsreview.org/articles/holook06-2003.pdf>
- [2] Garfield, B.: *A Look at the Marketing Industry's Coming Disaster*. site Advertising Age, http://adage.com/article?article_id=45561, 2005
- [3] Bob Garfield's Chaos Scenario 2.0. <http://www.unc.edu/courses/2007spring/jomc/170/001/Chaos2.pdf>, 2007