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DIRECT AND DIGITAL MARKETING IN PRACTICE

THIRD EDITION

B I O C M S B U R Y

DIRECT AND DIGITAL MARKETING IN PRACTICE

**BY BRIAN THOMAS AND
MATTHEW HOUSDEN**

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CONTENTS

Acknowledgements	iv
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Section One: The New Marketing Landscape

1. Direct and Digital Marketing Today	1
2. The Online Revolution	23

Section Two: Gaining Customer Insight

3. Collecting Customer Information	71
4. Using Your Information	91
5. The Marketing Database	109

Section Three: Customer Centric Planning

6. Developing the Strategic Plan	143
7. Integrated Marketing Communications – Brand Management in the Digital Age	183
8. Managing the Customer Journey from Acquisition to Relationship	205

Section Four: Integrated Marketing Communications

9. Campaign Planning	235
10. Planning Offline Media	249
11. Planning Digital Media	289
12. Developing Compelling Propositions	319

Section Five: Implementation and analysis

13. Producing Effective Creative Work	341
14. The Power of Testing	379
15. Closing the Loop – Customer Service and Fulfilment Operations	407
16. Direct and Digital Marketing Metrics	427
17. Ethics and the Law	471

Appendix 1 Glossary	495
---------------------------	-----

Appendix 2 Weblinks and tools	511
-------------------------------------	-----

Appendix 3 Reading List	515
-------------------------------	-----

Index	519
-------------	-----

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Matthew Housden

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SECTION ONE

CHAPTER 1 DIRECT AND DIGITAL MARKETING TODAY

IN THIS CHAPTER

We will introduce the discipline of direct and digital marketing and discuss the following topics:

- What do we mean by direct and digital marketing?
- Web 2.0 and the social media revolution
- Mobile and the rise of multi-screeners
- Firms that deal direct
- Multi-channel marketing
- Principles of direct and digital marketing (TICC)
- The continuing problem of attribution
- Direct marketing and Pareto's Principle
- Ten ways in which digital marketing is different
- Summary

WHAT DO WE MEAN BY DIRECT AND DIGITAL MARKETING?

There are many definitions, but the following two are perhaps the most helpful:

Direct marketing is the process in which individual customers' responses and transactions are recorded ... and the data used to inform the targeting, execution and control of actions ... that are designed to start, develop and prolong profitable customer relationships.

Graeme McCorkell, *Direct and Database Marketing* 1997

This definition makes it clear that the primary job of direct marketing – as indeed of all marketing – is to convey a *message*, a message which is intended to provoke an *action or response*.

Direct & digital marketing is the practice of building and harnessing customer data and insight to target, execute and control the creation and delivery of customer

value across all interactive channels to start and prolong profitable customer relationships.

Derek Holder and Paul McCarthy 2011

The second definition, by Holder and McCarthy, is more up-to-date as it refers to *creating customer value across all interactive channels*, which is recognized today as the overriding purpose of a successful twenty-first century business.

SO, WHAT IS MARKETING?

A typical twentieth-century definition was:

Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably.

While this sufficed in the twentieth century, today's marketing is more like a partnership, and the following definition is perhaps more appropriate:

Marketing is the process of identifying customer needs and satisfying them in a way that is acceptable to both parties – customers feel that their needs have been recognised and fulfilled at a fair price; the supplier makes a fair profit.

Brian Thomas 2001

Until the 1960s, mass marketing and mass communication dominated marketing practice. The technologies that drive marketing are information and communication, and twentieth-century mass marketing was propelled by fast high-quality printing, film, radio and television broadcasting.

Effective marketing has always depended on information, and in those days, decision making was aided by sample survey-based research such as media readership research, TV audience research, consumer panels, retail audits and ad hoc surveys. Media research answered the question, 'Who are we reaching with our advertising?' Consumer panels and retail audits answered the question, 'How effective is it at generating sales?'

In the 1960s and 1970s most major companies were distant from the customer (apart from those companies who practised direct marketing). The company still controlled the key navigation tools; it decided the product, price, promotion and place (distribution channels). The company told its customers and prospects about its products and services, when it wanted to, through the media channels it chose, and dictated where and when the customers could obtain their products.

The champions of this form of marketing were Unilever and Procter & Gamble. They researched their new products, test marketed and launched with brand advertising primarily through television. TV offered companies an unparalleled reach to market as well as low CPT (cost per thousand). Yet still consumers were anonymous buyers.

Direct marketing grew rapidly in the 1980s and 1990s as it provided the missing dialogue

between customers and company – it encouraged customers to respond and these responses were recorded and measured. With the cost of computer storage declining exponentially, it led to the creation of large customer databases containing full transactional, geographical and lifestyle information about their customers. This was particularly true in service sectors like financial services, travel and leisure, utilities and telecoms.

WEB 2.0 AND THE SOCIAL MEDIA REVOLUTION

The immense increase in affordable computer power now allows today's direct marketer to hold a huge amount of relevant information on *every* customer whereas the old mass marketer simply held broad statistics of the market.

This represents nothing less than a revolutionary change to the marketing opportunity. Furthermore, the revolution is not over; computer power keeps on getting cheaper and marketing continues to become more sophisticated. *And the communications revolution created by digital media is of even greater significance.*

COMMUNICATIONS TECHNOLOGY AND DIGITAL MARKETING

Digital media offers the convergence of information and communications technologies. Consumers can receive information on a TV set, a mobile phone, a tablet or an ever-growing variety of other devices, all of which can be considered computers.

So now the marketer and customer each have a computer. And their computers can exchange information. The so-called dialogue of direct marketing can be turned into something approaching a real conversation in which information is exchanged and acted upon in real time, hence leading to the expression 'real-time marketing'.

And this was only the beginning of digital marketing. When Tim Berners-Lee *created* the World Wide Web in 1990, he thought of it as a place where people could collaborate to share and build knowledge. The real revolution has only been underway since the advent of Web 2.0 in the past eleven years.

The most significant difference between Web 2.0 and the traditional World Wide Web (now referred to as Web 1.0) is the growth of so-called C2C communication. Originally, data was posted on Web sites, and users simply viewed or downloaded the content. Today, users have much more input into Web content and in many cases, exert real-time control over it.

This is nothing less than a social revolution

Increasingly, websites enable community-based input, interaction, content-sharing and collaboration. Social Media sites and applications include forums, blogs (weblogs), vlogs (video blogs), social networking sites such as Facebook, Twitter, LinkedIn and so on; social bookmarking, social curation sites such as Reddit, Pinterest and Instagram, YouTube, and wikis – websites that enable users to contribute, collaborate and edit site content. Wikipedia is one of the oldest and best-known wiki-based sites.

Individuals can now upload user-generated content (UGC): text, images, audio and video content made freely available online by the individuals who create it.

Although barely eleven years old, Web 2.0 was foreseen by consultant Darcy Di Nucci in 1999:

The first glimmerings of Web 2.0 are beginning to appear, and we are just starting to see how that embryo might develop. The Web will be understood not as screens full of text and graphics but as a transport mechanism, the ether through which interactivity happens.

WEB 2.0 IS NOT WITHOUT ITS CRITICS

Some feel that it makes it too easy for the individual to affect online content, which can impact the credibility, ethics and even legality of web content. An example of this is Wikipedia whose content is often simply the opinion of the person who posts the entry. Entries can of course be amended by others but this does not always happen. There are also growing concerns about privacy and security. Defenders of the current situation point out that these problems have existed ever since the web was founded and that the alternative – widespread censorship – would be far worse. The final judgement concerning any web content, say the defenders, should be made by end users alone. Web 2.0 supports this view.

BEYOND 2.0 – WEB 3.0?

Tim Berners-Lee suggests that the Web can be further developed intelligently to be more intuitive about how to serve a user's needs. Berners-Lee observes that although search engines index much of the Web's content, they still have limited ability to select the pages that a user really wants or needs. He suggests developers and authors can use new techniques so that new context-aware software can better classify the information that might be relevant to a user.

UBIQUITOUS COMPUTING OR THE INTERNET OF THINGS

Ubiquitous computing, also known as pervasive computing, envisages data embedded in everyday objects that enables intercommunication and unobtrusive data sharing throughout the user's environment. The concept fits easily with that of the Internet of Things in which almost any entity or object imaginable can be equipped with a unique identifier and the ability to exchange data automatically. A modest example of this concept is a fridge that sends a grocery list to one's smartphone, or indeed direct to a nominated supplier.

So 'Digital marketing' is:

Applying ... digital technologies which form online channels to market;

To ... support multi-channel marketing activities aimed at achieving profitable acquisition and retention of customers;

Through developing ... a planned approach to improve customer knowledge (of their profiles, behaviour, value and loyalty drivers), then delivering integrated targeted communications and online services that match their individual needs.

The second part of this definition emphasizes that it should not be the technology that drives digital marketing, but the business returns from gaining new customers and maintaining

relationships with existing customers. In using the expression 'multi-channel marketing' it also emphasizes how digital marketing does not occur in isolation, but is most effective when it is integrated with other communication channels such as phone, direct mail or face to face. Online channels should also be used to support the whole buying process from pre-sale to post-sale and further the development of customer relationships.

The final part of the definition summarizes approaches to customer-centric marketing. It shows how it should be based on knowledge of customer needs developed by researching their characteristics, behaviour, what they value, what keeps them loyal and then delivering tailored, relevant web and email communications.

In many ways, the above is the same as the definition of direct marketing except it is limited to digital media. Therefore, many direct marketers see digital marketing as just adding a new front end by offering new media channels to market, whereas the back end – logistics, fulfilment and customer service – remains as before. If you think about the old-fashioned mail-order catalogue companies such as Sears Roebuck or Montgomery Ward, the modern-day equivalents are companies such as Amazon and Direct Line. It is still direct to the customer but utilizes the new media channels, offering (in Amazon's case) an unprecedented level of customer service with ordering possible 24/7 and goods delivered within twenty-four to forty-eight hours.

Digital media have, however, permitted two further things of the utmost importance to marketing: they have revolutionized the cost structure of the functions they perform, and they have altered the balance of power between supplier and customer for ever.

Customers now can control the relationship in ways that are still being resisted by many old established companies. Yet far-seeing organizations are aware of what will be needed to stay in business:

The first thing is to listen and be aware of what your customers and prospects are saying:

You can't stop people talking. You can't control what they say about you. But you can JOIN, and maybe INFLUENCE the conversation.

Seth Godin

Consumers are beginning in a very real sense to own our brands and participate in their creation ... we need to learn to begin to let go.

G. Lafely: CEO and Chairman, Procter & Gamble

DIRECT MARKETING HAS BECOME MAINSTREAM MARKETING

The Internet revolution is the first real progression in marketing since it originated in the mid-nineteenth century. It has changed the balance of power between companies and customers and created many new marketplaces such as online auctions, including the global phenomenon of eBay. Online advertising spend annually has overtaken traditional media advertising. Google is the most successful search engine in the world, and the biggest issue many major brands are facing today is how they get their brand up to the top of the Google search ranking.

Mobile continues to explode:

Put your best people on mobile. It's where the puck is headed.

Eric Schmidt – Executive Chairman, Google Inc.

THE RISE OF THE MULTI-SCREENERS

There has been a dramatic increase in multi-screening in the past few years. Many TV viewers are also multi-tasking with a phone or tablet. This has wide implications for TV advertisers who may fondly believe that viewers are glued to their sets during the commercial breaks while many will surely be using the breaks for other activities.

In 2012 Google published the following statistics:

- Ninety per cent of all media interactions are screen-based – people move between multiple devices when planning an activity;
- More than 75 per cent of TV viewers have another device open at the same time.

DIRECT MARKETERS WERE FIRST TO ADAPT TO THE NEW REALITY

Direct marketing has been at the forefront of this change. It absorbed the technological advances faster than any other discipline. It created the 'dialogue' with customers. Today, as the disciplines of direct advertising, branding and sales promotion begin to blur, it is direct marketing which has led this change and is now considered as mainstream marketing. Direct marketing can build brands (Direct Line, Apple, Amazon and easyJet); it can target sales promotion, but at the same time collect the data and use it for future business planning, while combined with market research it can provide powerful customer insights. It continues to exemplify the rigour of personal, measurable marketing. And to the effective twenty-first century marketer, it should be second nature to think first and foremost: direct, data and digital.

FOUR KEY PRINCIPLES OF DIRECT AND DIGITAL MARKETING

Direct marketing and its information systems focus on what the customer or prospect does. To put it another way, data about past behaviour is used to predict future behaviour. This data is processed on an individual basis and can be analysed and acted upon on an individual basis, even if the number of customers reaches millions. This does not render marketing research obsolete but if we rely only on marketing research information we are forced to make assumptions about customer behaviour which may be broadly correct but will often be wrong in individual cases.

Successful direct marketing practice depends on four elements. These are: targeting, interaction, control and continuity.

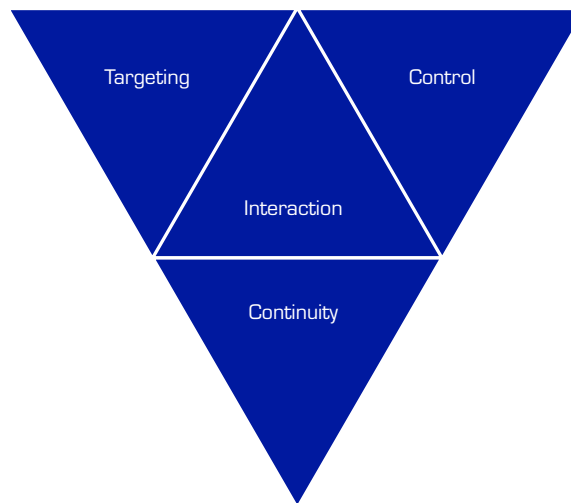
TARGETING, INTERACTION, CONTROL AND CONTINUITY (TICC)

You will see from the following that the four elements of successful direct marketing can be looked at either as one triangle or alternatively as four triangles inside another one. *Interaction*

is in the centre. Interaction includes the stimuli we marketers create in the hope of producing a response from the people in our target market; their response is also included in the interaction triangle. In all cases, we will attempt to attribute a response to the correct stimulus. Thus, the results of our activities form the core of our information system and enable us to become progressively more efficient at *targeting*, *control* and *continuity*. That is because we are learning by experience.

Interaction takes centre stage in direct marketing's information system.

Figure 1.1: Targeting, Interaction, Control and Continuity (TICC)



Targeting refers to our decisions about who will receive our message and includes our media selection: TV, banner ads, print advertising, direct mail, telemarketing, email, social media and so on. We may be targeting our established customers, identified prospects or a much larger audience of 'suspects'. In these cases, our targeting decisions will generally outweigh in importance other decisions about what to offer and how to frame our message.

By examining the results of our previous attempts to target correctly, we can keep on refining our future targeting. All targeting is dependent on accurate data – whether it be external data such as circulation or audience figures, or internal data about an individual's characteristics and buying habits.

Control is the management of our marketing. It includes setting objectives, planning at the strategic and operational levels, budgeting and assessment of results. The process is cyclical, future planning being informed by past results.

Interaction is at the heart of direct marketing. The completeness and accuracy of our data within the interaction triangle will be crucial to the exercise of control. Interaction quantifies the *effects* of our marketing.

CUSTOMER INTERACTIONS

These may not just be orders. They may be returns (of unwanted goods), queries, complaints, requests, suggestions, questionnaire responses and so on.

Continuity is about retaining customers, up-selling (more of the same) and cross-selling other products to them. In most business enterprises, the bulk of profit arises from dealings with established customers.

Our painstaking care in recording interactions enables us to communicate with customers, recognizing their interest and showing appreciation of their custom. The special challenge of e-commerce and of contact centre management is to respond to customers in real time.

All four of the TICC elements are critical. Direct marketing is not direct marketing unless they are all in place. Sometimes it is not possible to data capture the identity of every customer and sometimes it is necessary to record the transactions of a sample of customers only. These conditions apply in FMCG (fast moving consumer goods) markets. Nevertheless, if the four TICC elements are in place, it is possible to employ direct marketing methods in these markets.

FIRMS THAT DEAL DIRECT

It is not only producers of goods or services that conform to the direct model. First Direct, EasyJet and Dell are all producers. The insurance company, Direct Line, is a producer. In fact, all major UK insurance companies were forced to embrace the direct model because of the success of Direct Line.

Comparison sites (such as Go Compare, Compare the Market, and Confused.com in the UK) are not producers in that guise although the latter two are in fact owned by Insurance companies – they stress however that their comparison activities are entirely impartial.

DIRECT NOT ALWAYS THE ANSWER?

To the customer, the direct model is not always the answer. Many people prefer to go to the shops or, in B2B, talk to a sales representative. Others will use the Internet as an information source, but complete their transaction through a traditional channel. Our channel preferences are likely to depend on what we are buying. However, the growing trend of 'showrooming' has disturbing implications for traditional retailers. Here the shopper visits a retailer to view an item but then buys online through Amazon or indeed sometimes through the retailer's own web site. To a certain extent companies have encouraged this trend by 'training' customers that if they go direct to the website they can get additional discounts.

MULTI-CHANNEL MARKETING

Marketing today is more challenging than it ever was before. On one side, there is immense competition for the attention of today's over-messaged, out-of-time and in-control buyers. On the other side, new channels for connecting buyers and sellers are appearing all the time. Marketers must now master this multi-channel revolution and the opportunity to connect with always-on consumers, anywhere, anytime.

Marketers today are interacting with their customers via many different channels. However, it is one thing to interact through multiple channels in parallel, it is another to maximize response and conversion rates across channels.

CONSUMERS ARE MULTI-CHANNEL BUYERS

Typical buyers do not think in terms of channels, only the most convenient way of achieving their goal. They often exhibit cross-channel behavioural patterns, choosing paths across channels during the lifecycle of the purchase. The start of the journey may be initiated by a store visit leading to a website and then a call centre to order.

ATTRIBUTION – THE CONTINUING PROBLEM FOR TODAY’S MULTI-CHANNEL MARKETERS

Through careful testing and development, today's direct marketers have established beyond doubt that multi-channel marketing campaigns are more cost-effective than single channel campaigns. However, this impinges on one of the key benefits of direct marketing – precise measurability. Today, before buying any substantial product, a customer may see multiple advertising messages across several media and interact online at several points during the decision-making process.

Happily, most marketers now realize the folly of adopting the 'last click wins' approach. The following example from a UK study by Harvest Digital illustrates the problem for even a single media approach:

Figure 1.2: Clicks are not the whole story

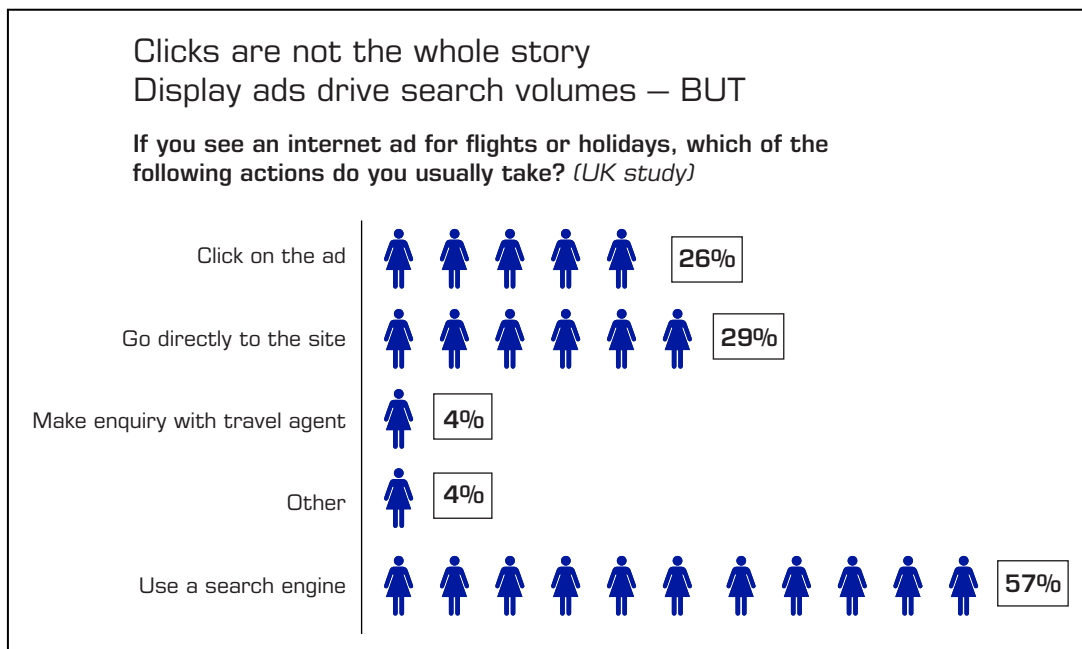
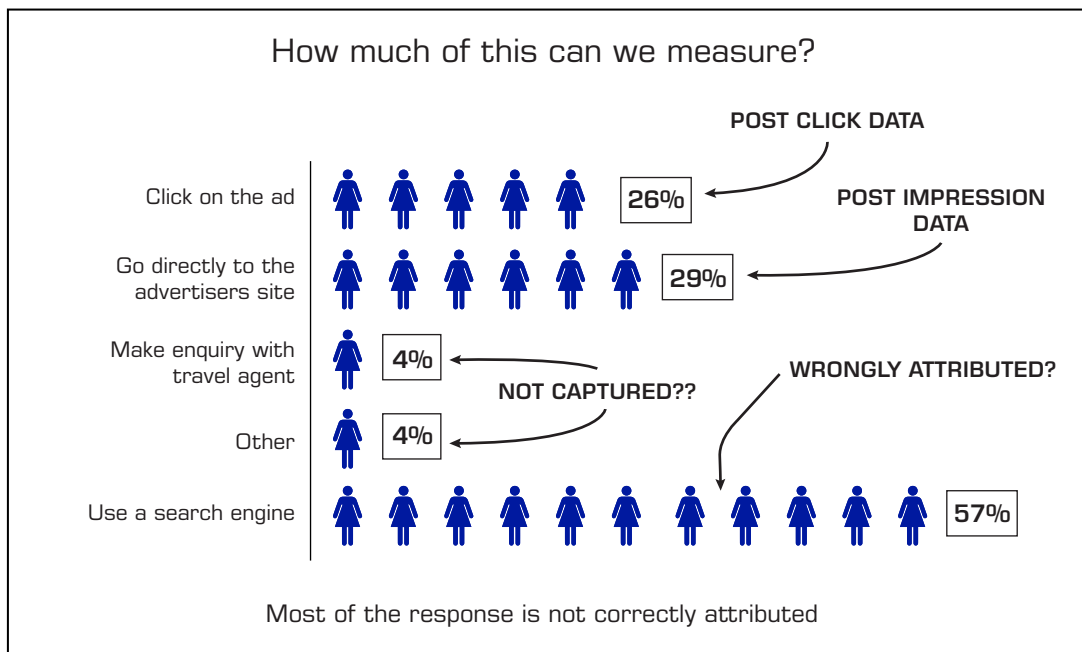


Figure 1.3: How much can we measure?



As we can see, only 26 per cent of this response can be totally attributed to the original advertisement. Even the 29 per cent (post impression data) is derived from an assumption, albeit a not unreasonable one. And this research is based on responses to a single banner ad. When we are trying to measure a multi-media campaign the situation can be impossibly complicated.

As mentioned earlier, this problem is exacerbated because in recent years companies have 'trained' customers that going directly to a web site without clicking a link will often result in an additional discount for online orders. Despite later studies of this topic we are still struggling to overcome the problem of precise attribution. Many 'specialists' claim to be able to track the purchase cycle but there are as yet no systems that can accurately predict the 'tipping point' i.e. that point at which the customer definitely decided to buy. Nor can any automated system accurately 'weight' each stage of the process. The only way to do this would be to ask detailed questions of every individual customer.

However, if you search for 'Google Beyond Last Click' you will find a white paper that is interesting in this context.

DIRECT MARKETING IS MORE THAN SELLING DIRECT

Direct marketing has come to mean more than just selling direct.

Any company that uses any kind of direct response advertising, online or offline, and maintains a customer database, is using direct marketing.

DIRECT MARKETING AND PARETO'S PRINCIPLE

Vilfredo Pareto, Italian economist, is one of the heroes of direct marketing. In 1906, he created a mathematical formula describing the unequal distribution of wealth in his country. His observation was that in Italy 20 per cent of the population owned 80 per cent of the wealth however society attempted to regulate matters.

This became known as Pareto's Principle and was adopted by business as the 80-20 rule whereby 80 per cent of sales or orders would come from only 20 per cent of customers. Obviously, the precise number varies from business to business but the broad principle holds true. The relevance to direct marketing relates to data. All the mass marketer could say was 'I know that 80 per cent of my business comes from 20 per cent of my customers, I only wish I knew who they were.'

Every astute direct marketer knows who the valuable ones are and can devise differential marketing strategies to benefit from that knowledge. The smart ones have methods of forecasting who the valuable ones are going to be.

Why is this so important? Let's consider an example:

Customers who cost money

We will use home shopping companies as an example because they have a long tradition in precisely measuring everything. Typically, 75 per cent of new customers gained by a home-shopping business will have lapsed without providing enough business to recover the cost of recruiting them. All the profit will be contributed by the remaining 25 per cent.

If the company learns which the best sources of good customers are, it can work to reduce the 75 per cent of loss-making intake. If it fails to learn, the 75 per cent will become 80 or 85 per cent, ensuring that the company will lose money and eventually fail.

Again, typically, a bank will lose money on at least 80 per cent of its personal customer base at any one time. By devoting special attention to the remaining 20 per cent, it can expect to satisfy more of them and so keep their custom. If it fails to differentiate between its good (and potentially good) customers and its loss-making customers, it is the good customers who are most likely to defect.

The direct marketer looks for solutions by listening to what the data says. As always in direct marketing, actions speak loudest. Behavioural data, describing what people do, matters more than their demographic, socio-economic or lifestyle profile.

B2B = PARETO X PARETO

However strongly Pareto's Principle applies to B2C marketing, the B2B scene is 'Pareto squared', one customer having perhaps 10,000 times the purchasing power of another. So companies differentiate between larger (corporate) customers and smaller customers. Frequently, call

centres or contact centres deal with smaller business customers while field sales teams deal with larger customers.

TEN WAYS IN WHICH DIGITAL MARKETING IS DIFFERENT EVEN FROM TRADITIONAL DIRECT MARKETING

1. The challenge of 24/7

A trading website is always open. There is no downtime to restock, correct programming errors or repair broken links to other business systems. This factor also has significant implications for effective customer service – see Chapter 15.

2. Marketing in real time

A website deals with customers in real time, raising expectations of instant query resolution, immediate response to requests and, even faster delivery. Furthermore, customer interaction data is being gathered continuously.

3. Personalization

Personalization of a website is very different from personalized print. It must be based on a variety of data sources (e.g. clickstream, personal data and previous purchases) and used within a single site visit if appropriate.

4. Data volumes and integration

A website can collect much higher volumes of data of different types than can be collected from other reception points. (This poses a systems integration problem and a potentially crippling data volume problem, sometimes referred to as data overload.)

5. Many-to-many communications

Customers do not phone call centres just for a chat. But the Internet is different. It is open, democratic and even revolutionary. The plus side may be viral marketing. The downside could be flaming (abusive replies).

6. Comparison shopping

Never was comparison shopping so easy. Pricing policies may need to be changed for digital marketing. A new brand?

7. Global reach

The reach of the website is wide but logistical, legal or regulatory constraints may apply, especially in financial services. Key issues here include local taxation (e.g. sales tax) and the difficulties that can arise due to varying exchange rates. In some cases, it may be necessary to restrict orders geographically.

8. Keeping in touch

Unlike direct mail, email can be time sensitive, especially when sent to a business address. But because emailing is so cheap, it is tempting to overuse it. It is easy to measure the response but not so easy to measure customers lost through irrelevant emailing. In 2012 a UK office products company was receiving more response from faxes than emails!

9. Low transaction costs

The cost of handling online orders and information requests, as well as of email solicitation, is much lower. This may permit lower ticket or lower margin transactions. However, credit

card payment queries will be high and delivery costs will remain the same, wherever physical products that are not electronically transmissible are involved.

10. A website is more like a shop than a catalogue

Unlike a catalogue, a website cannot be sent to a list of prospective customers. Like a shop, it must wait for them to call in. Unlike a high-street shop, it is not visible to passers-by. It needs promotion.

The website designer can use clickstream data to track customers' journeys through the site and can relate these patterns to sales. Today this is called User Experience (UX), and analysts can identify necessary changes to optimize performance.

A WORD ABOUT DIGITAL JARGON

Viral marketing is the turbocharged Internet version of the direct marketers' referral programme or MGM (member-get-member) scheme. As customers congregate in newsgroups or chat by email and social networks, recommendations can spread like a forest fire. This can be good or bad news – examples of both will be demonstrated in later chapters.

Personalization has a similar meaning in both direct and digital marketing but the possibilities are more exciting in a dynamic environment than in print.

Permission marketing is a significant concept that underpins online CRM. Permission marketing is a term coined by Seth Godin to apply to email marketing. It is best summarized in his book (Godin, *Permission Marketing*, 1999). Customers agree (opt in) to be involved in an organization's marketing activities, often because of an incentive. Regulations governing permission vary widely from country to country and all marketers must familiarize themselves with local requirements.

DATA: THE DIRECT AND DIGITAL MARKETER'S INFORMATION SYSTEM

It is essential that the direct and digital marketing information system includes customer history data. The minimum required is a history of the customer's transactions. Often this will be summarized, showing us little more than the value of each transaction, the product or the merchandise category and when it occurred.

Without this minimum amount of data, we cannot practise efficient direct marketing because, to remind ourselves of Graeme McCorkell's definition:

Direct marketing is the process in which ... individual customers' responses and transactions are recorded ... and the data used to inform the targeting, execution and control of actions ... that are designed to start, develop and prolong profitable customer relationships.

The components of response, measurement and continuity are common to all direct marketing activity:

Response. A response is needed to acquire a customer and to begin compiling data relating

to that customer. It is very unusual to hear of a direct marketing initiative that does not have response as a key stage in the communication programme.

Measurement has always been central to direct marketing. Before cheap computing power became available, it was already possible to record and measure the immediate results of marketing expenditures. Reply coupons and telephone numbers included codes to identify the source of responses. Cost-per-response (CPR) and cost-per-sale (CPS) were and still are useful measures. Now measurement is extended to individual customers' activity. Because each customer is identified, their buying behaviour can be tracked over time. This enables the eventual return on marketing investments to be measured and forecasting to be improved.

However, as we discussed earlier, precise measurement and attribution is becoming more difficult. You can read more about this problem in Chapter 10.

Continuity is the aim of every competent direct marketer who seeks to maximize the gearing on the customer acquisition investment by doing more business with the customer for a longer period.

PARETO AND THE DATABASE – AMERICAN CAR RENTAL MARKET

- 20 per cent of American adults rent a car at least once a year.
- Only 5 per cent rent a car more than once.
- 0.2 per cent rent a car ten or more times.
- This 0.2 per cent represents one in a hundred customers.
- One in 100 customers provide car rental companies with one quarter (25 per cent) of their business.

The One-to-One Future, Peppers & Rogers

Originally, car rental advertising was almost untargeted. But the direct marketer differentiates between customers and non-customers, then between casual customers and regular customers and finally between regular customers and frequent customers. The example of the American car rental market shows why.

The top 25 per cent of customers are those who rent a car more than once. But within this exclusive group, one in 25 of them rents a car ten times or more in a year. This group, amounting to one in a hundred customers (0.2 per cent of adults) is worth 25 times as much as the average customer. These extremely valuable customers provide car rental companies with a quarter of their business.

It would be cheaper to telephone these customers personally to thank them than it would be to reach them all at once with a TV commercial.

Recognizing the value of these 'super customers', car rental firms offered loyal users free rentals at weekends. But frequent business travellers want time with their families. When this idea failed, National Car Rental came up with a better idea. Targeting the tired, stressed and

status-conscious business traveller, their answer was the Emerald Club, having its own aisle in National's car lot at the airport. Members could pick any car in the Emerald Aisle and drive off, pausing only to have their card 'swiped' at the checkout.

National's database enabled them to:

- recognize how much more valuable their best customers were than others;
- discover how much business was at risk if these customers were lost (it would take thirty-three average new customers to replace one lost top customer);
- recognize the circumstances of these customers, i.e. frequent business travellers;
- send Emerald cards to the right customers.

Notice that the database is used to provide both management information and the means of communicating to customers.

THE CUSTOMER MARKETING DATABASE SERVES TWO FUNCTIONS:

1. It provides management information.
2. It facilitates one-to-one customer communications outbound and inbound.

The customer marketing database not only facilitates outbound communications but enables customers to be recognized when they telephone or visit the website. The contact centre agent (operator) can immediately call up the customer's transaction record on screen so that the customer does not have to repeat information that the company has already been given.

DATA, CRM AND ECRM

In recent years, many large companies have been dealing with the problem of integrating data from a multiplicity of management information systems. The ideal solution of bringing together all relevant customer information into one customer marketing database system was not available to these companies.

Because some of these functions were completely separate in many large businesses, and will often have been computerized at different times, their systems are unlikely to be fully compatible. These *'legacy systems'* will certainly not be immediately compatible with e-commerce systems.

However, once essential details, such as file formats, are harmonized, it is possible to store data that would otherwise simply be archived, in a data warehouse. Now, the data can be processed in such a way that it can be analysed by a competent person, using only PC tools.

The process of retrieving and analysing data from a data warehouse is called *data mining*. Data mining is often used in businesses with masses of transactional data, such as banks and airlines.

The idea of the data warehouse is to bring systems together to form an enterprise-wide management information system (MIS). In theory at least, this permits a customer relationship management (CRM) system to be employed. The idea behind CRM is that the whole of a customer's dealings with the company can be put together. Such systems are often supplied by outside software vendors and may need extensive adaptation of both software and company practices.

THE WHOLE CUSTOMER

As well as having a current (or checking) account and a savings account, a bank customer may deal with the home loan division, the life and general insurance divisions, the credit card division and the personal investment management division. Since the average customer holds only 1.2 accounts, such a customer would be very valuable to the bank. Yet, before the creation of an enterprise-wide CRM system, the bank would not have recognized these different relationships as being with the same customer.

In practice, company divisions or departments (including marketing) may find their needs better served by *data marts*. These are fed by the data warehouse but contain only information that is relevant to the departmental interest and are designed to make the data easier to interrogate and analyse.

INTEGRATING ECRM

When the company's front office is a website, the volume of data being collected, processed and managed is very large. Some data, e.g. DNS (domain name system) and clickstream data, is peculiar to digital marketing. The latter, particularly, can overwhelm a system unless it is *summarized*. It is not necessary to keep this information for individual customers if customer preferences, either declared or implicit through transactional behaviour, are recorded.

When human interaction is by email or chat, there is a full, self-generated digital record of the contact – unlike a phone call or field sales visit. This record may be used to auto-generate e-marketing contacts.

SUMMARY DATA

The transactional database needs historical data. Otherwise there can be no record of a customer's business relationship with the company. Usually, the data used to portray a customer history (or the results of a promotion) is summarized, so that it doesn't occupy too much space (memory) in the system.

While this is very sensible because it saves costs, the problem is that essential detail is sometimes lost. The *number*, *value* and *dates* of a customer's transactions will usually be retained but the *merchandise categories* and, certainly, the actual *products purchased* will often be lost for all except the most recent transaction. Furthermore, companies are usually bad at keeping customer service records. A marketing analyst can waste hours or days looking at customer purchase profiles, seeking an explanation for why some customers are disloyal. The true explanation may lie elsewhere. Perhaps the disloyal customers ordered goods that were out of stock or had to return defective items.

Meanwhile, the sharp reduction in data storage and retrieval costs has encouraged firms to keep more raw data for analysis instead of summarizing it and archiving old data. This is a major benefit of data warehousing.

CRM AND DATABASE MARKETING

- Although enterprise-wide CRM systems may have grown out of database marketing (some would say call centre operations), many have become distanced from the marketing function.

- CRM systems are essentially operational whereas marketing database systems can exploit data that is downloaded from operational systems without disturbing them. Marketing database needs may be supplied by a data mart within a CRM system.
- The CRM system is generally seen as the software that automates the front office. The front office includes the call or contact centre, the website and any other point of interaction between the company and its customers. Front office functions include service as well as sales.
- The impetus for the adoption of CRM has not always been a desire for increased customer knowledge, but cost cutting. Cost cutting is achieved by increasing productivity of customer-facing staff and by diverting transactions down completely automated routes.
- The CRM system may work in tandem with an ERP (Enterprise Resource Planning) system that handles the back-office functions. The emphasis is on operational efficiency.

CRM AND RELATIONSHIP MARKETING

The very name 'customer relationship management' implies that customers are a resource that can be managed, like the supply chain and sales staff. Although CRM feeds off customer data, it is essentially neutral. It may be customer-focused in a marketing sense or it may be enterprise-focused, being employed to seek ways to save money on customer service. It all depends who is extracting actionable data and for what purpose. However, the fact that a common information system is being used throughout the organization is clearly advantageous.

Note that this concept of relationship marketing is also quite distinct from direct marketing, although direct marketers may be ideally placed to exploit it, especially in an e-commerce environment.

LIMITATIONS OF THE CUSTOMER INFORMATION SYSTEM

The database is inward looking to the extent that it refers only to those customers that a business already has on its books.

Although it is possible to import external data to profile customers and compare them with the market at large, this is not a substitute for marketing research.

The database, however good, remains introspective.

It does not admit or report upon external influences. Disturbance to plans and forecasts may result from environmental influences, e.g. the economic situation, environmental concerns or other newsworthy preoccupations which affect purchase behaviour.

Worse, it does not report on customers' use of competitors or on the success or otherwise of competitive initiatives. Share of customer (or share of wallet) is a key success measure in direct marketing.

WHO IS LOYAL: WHO IS NOT

The database can often reveal whether a customer's purchase pattern indicates loyal or disloyal purchase behaviour. However, it cannot report directly on customers' use of competitive offerings. This can only be done on a sample basis, using marketing research. The sample for this research can be taken from the database.

Unless marketers are in a monopolistic situation and have absolutely no competitors (and who is ever in that position?) they need to be fully alert to competitive influences. Competition and disruption may come not only from direct competitors, but also from indirect competitors.

Quantitative market research is required by all marketers, direct or otherwise. Qualitative research is also needed because the database can only reveal *what* customers are buying or not buying. It cannot say *why*, or suggest alternative new product avenues with much confidence. Data analysis relies on back data (customer history) to predict future behaviour. While this is generally the best guide, it is certainly not infallible. Circumstances and attitudes may change, causing sudden shifts in demand.

The essential components of direct and digital marketing are:

Channels / Media / Communication strategies / Numeracy / Key principles.

Channels

- Direct to customer (Consumer or Business) (DTC)
- Through affinity partners, including joint ventures

Media Options

1. The telephone, currently an important acquisition route for many companies, is under a growing threat. In all developed markets the topic of data privacy has become a major issue. There is already powerful legislation in more than eighty countries around the world.

The threat is simply that, in many countries, once data privacy becomes a publicly debated issue, telephone protection legislation tends to follow quite quickly. For this reason, it is important for direct marketers to be aware of all alternative acquisition options both offline and online.

Direct mail and derivatives such as door-to-door leafleting

Newspaper and magazine advertising

Broadcast – TV and radio

2. Online

Originally this was only banner advertising and pay per click such as Google AdWords, and so on.

Today, Facebook advertising is overtaking Google AdWords, and many other social networks including YouTube, Twitter etc. are also offering advertising and promotional options.

This is such a rapidly developing area that many changes will have taken place between our writing and the publication of this book. It will be necessary for you to keep up to date through your own vigilance and research.

Communication Strategies

- Combinations (integration) of timing and media to optimize effectiveness.
- Understanding customer preferences to increase relevance and further enhance response.

Numeracy

As mentioned earlier, one of the key benefits of direct marketing is the ability to test and measure precisely. But we need:

- to appreciate the increasing difficulties of correct attribution in multi-media campaigns;
- to be aware of the 'Internet effect' on measurable response, whereby customers tend to go direct to the website rather than clicking on the link provided in the communication. This means that they cannot be associated with (i.e. credited to) the specific advertisement;
- to have at least a basic understanding of the statistics of testing, or at least have the tools to help us measure statistical significance.

Key principles

Targeting – the first requirement is to deliver the right message, to the right person at the right time. A message sent to a non-prospect will be wasted however 'creative' it may be.

Relevance – consumers are besieged with marketing messages – some estimates say 3,000 per day. People have learned to 'block out' most these and only focus on things that resonate with them at the time. A relevant message has a chance, an irrelevant message has none.

Relevance is enabled through careful research and good, current data.

An attractive benefit proposition – people do not buy insurance for example, because it is exciting, but because it offers them peace of mind, comfort and security. To understand the benefits that will appeal, we need to get inside the minds of our prospects to understand their concerns.

We do this through research, direct feedback and careful data analysis. This gives us the deep understanding we call insight.

Timing – this can be hard, especially with limited data, but achieving the optimum timing can make a significant difference to our success.

The above principles can be encapsulated into the single word – Relevance.

Data Privacy – this is not a principle but a discipline. There are increasing public (and corporate) concerns about data privacy and abuse, and legislation is frequently updated.

Changes in the decision-making process – since the advent of social media there have been huge changes in the way potential buyers make decisions.

Recent studies show that many customers trust their 'friends' rather than advertisers and retailers. This is true in both consumer marketing where prospects will often ask their friends for advice using their social networks; and B2B where the questions may well be asked via LinkedIn. There are thousands of blogs, networks, forums and online reviews that may be consulted prior to making a buying decision.

Another fairly recent phenomenon is the comparison site. Although this started within the insurance industry it is not restricted to insurance products.

Word of Mouth (WOM) has become a significant sales channel today – indeed there are specialist agencies that concentrate solely on this medium. Product placement too is a

significant channel for major brands who vie for inclusion in popular films and television series.

Blogs and Vlogs – many blogs and ‘vlogs’ are now recognized as powerful media in their own right. ‘Super-vlogger’ Zoella, Brighton-based now has more than twelve million followers on YouTube who hang on her every word. If she recommends a product sales uplifts are significant. There are many such vlogs. Check these out if you want to see how products can be marketed effectively without actual advertising.

Proliferation of different customer groups

Today there are many more specific groups that can be targeted precisely:

- Single adult / parent households;
- Ethnic and attitudinal groups;
- Self-employed people who work from home;
- Virtual offices – the office is not always a shared experience today;
- Age related groups – retired and so on.

A vast variety of places and ways to buy

- Online – e-commerce and m-commerce sites;
Comparison sites;
Affinity partners;
- Malls – but with growing concerns about ‘showrooming’ – the increasing incidence of shoppers viewing products in-store and then buying online at a cheaper price.

More demanding customers

- Confident assertive customers demanding greater service levels, and quality products;
- More complaints through all channels;
- More people refusing to buy from unethical companies; suppliers of unhealthy products; companies whose activities are damaging the environment.

What happened to the Four Ps?

Traditional marketers, in the ‘good old days’ when they controlled the company / customer relationship, used to refer to the Four Ps of marketing:

- Product / Price / Promotion and Place.

This does not work today and twenty-first-century marketers should concentrate on the Four Cs instead:

- Customer / Control / Choice and Convenience.

A FINAL WORD

The world, people and communications have changed for ever. The marketing landscape is vastly different since the advent of Web 2.0. Google still dominates online, while Facebook,

Twitter, YouTube and LinkedIn continue their global growth. Most consumers under sixty are web aware and shop seamlessly through multiple channels online and offline. Marketers need to re-evaluate the established fundamentals.

Today's 'customer-centric' marketing (where the customer not the product or campaign is the focus) places a premium on marketers having a deep understanding of their customers.

Now a company is capable of engaging millions of prospects and customers – one to one. This vision is made possible by the fusion of the disciplines of direct and digital marketing. For the first time marketers can engage millions of prospects and customers in personal, real-time dialogue which is measurable. And social media is the driving force here. Many companies are failing to follow this trend but within the next few years they will be forced to conform or go into terminal decline.

To any CEO who is sceptical at all, you have to; you have to create a social enterprise today. You have to be totally connected with everyone who touches your brand.

If you don't do that, I don't know what your business model is in 5 years.

Angela Ahrendts, CEO Burberry, UK April 2012

Customer-centricity requires the marketer to understand relationships that span online and offline channels. An integrated, one-to-one approach to marketing in online and offline channels uses many of the same fundamental principles as direct marketing: testing response variables, analysing marketing data, and adjusting to improve effectiveness, especially in ongoing relationships.

Combining today's instant digital communications with marketing techniques developed and perfected in the original 'addressable' channels – mail and telephone – can provide marketers with benchmarks in minutes instead of weeks. Advances in data processing, analytics, list compiling, digital asset management, and other new technologies, have turbocharged the direct and digital marketing process with powerful new tools for guiding and executing marketing campaigns and strategies to achieve the highest returns.

Each step in the evolution of direct marketing – from mailbox to telephone, to personal computers to mobile devices, to digital television and readers – has broadened both the scope and economic impact of direct marketing. At the same time, its fundamentals, including the mathematics of testing and measurement, remain constant.

Proven direct marketing tools – addressability, personalization, and direct response – add value in every channel, from mail and email to catalogues and websites, from text messages to online video, social networks, mobile, and addressable digital services, and beyond. From online to offline, digital-direct marketing is all about one to one.

SUMMARY

To introduce the book we touched briefly on many aspects that will be covered in much more detail in subsequent chapters.

We started by defining direct and digital marketing and how they differed from the traditional marketing approach.

We showed how direct and digital marketing have developed from their roots in the mail order marketing of the nineteenth and twentieth centuries.

We briefly discussed the advent of Web 2.0 and its central role in the development of social media and customer to customer communications.

We noted the rapid and continuous growth of mobile devices as communications channels and in particular the rise of 'multi-screening' and its implications on the effectiveness of consumer advertising.

We highlighted the four key principles of direct marketing – Targeting, Interaction, Control and Continuity (TICC), and showed how direct and digital marketing were used by different types of organizations.

We identified the problem of precise attribution in multi-media campaigns i.e. the difficulty of correctly attributing an action to its cause.

We explained the background to Pareto's Principle and its continuing relevance to direct marketers.

We showed ten ways that direct and digital marketing differs from traditional marketing practices.

We introduced the importance of data, CRM and the CIS – topics that will be covered in great detail in the following chapters.

Finally we considered how the traditional four Ps of marketing (Product, Price, Place and Promotion) have been rendered obsolete by the rise of customer power, and have been replaced by four C's – Customer, Control, Choice and Convenience.

CHAPTER 2

THE ONLINE REVOLUTION

IN THIS CHAPTER

We will introduce the concepts and key drivers of Web-based digital marketing.

Over the past ten years the Internet has come to be an integral part of the marketing strategies of all successful companies. Although Internet and digital factors will be interwoven throughout each chapter, at this point we introduce the basics of the Web.

After reading this chapter you will understand:

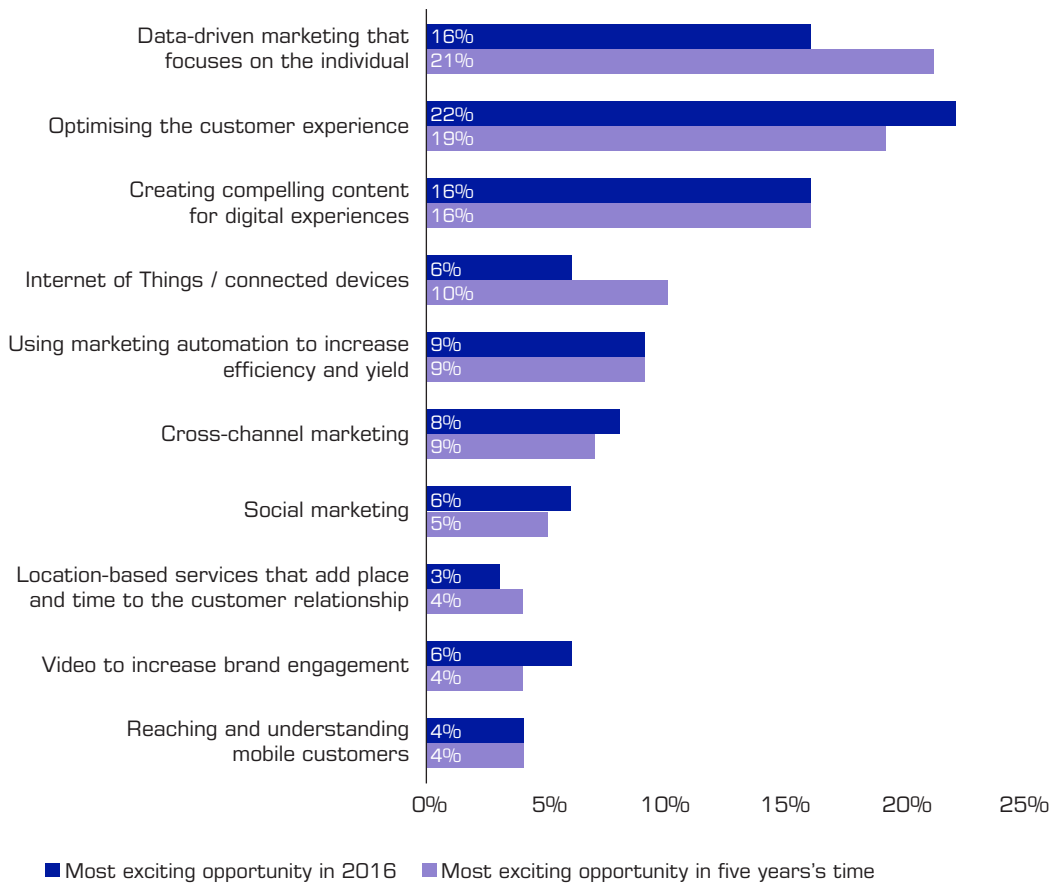
- The history of the Internet and its commercial applications
- The role of the Internet and other digital technologies in developing Direct and Digital marketing strategy
- The online audience and their behaviour
- A range of online applications
- Where to go for further information and advice

INTRODUCTION

A recent report from CMO.com (part of Adobe), in the US signalled the fact that data-driven marketing will remain a priority for 2016 and will increase in importance over the next five years. The survey of over 7,000 Chief Marketing Officers also highlighted the role of customer experience and the creation of compelling digital content, additionally the role of big data from the Internet of Things and the move to marketing automation were among the top priorities for their organizations, location services and cross-channel marketing were also highlighted.

The good news for direct marketers is that the CMO's priorities are both explicitly and implicitly largely focused around the role of data and its use in improving customer experiences across multiple channels. It is this that has always been the strength of direct marketing.

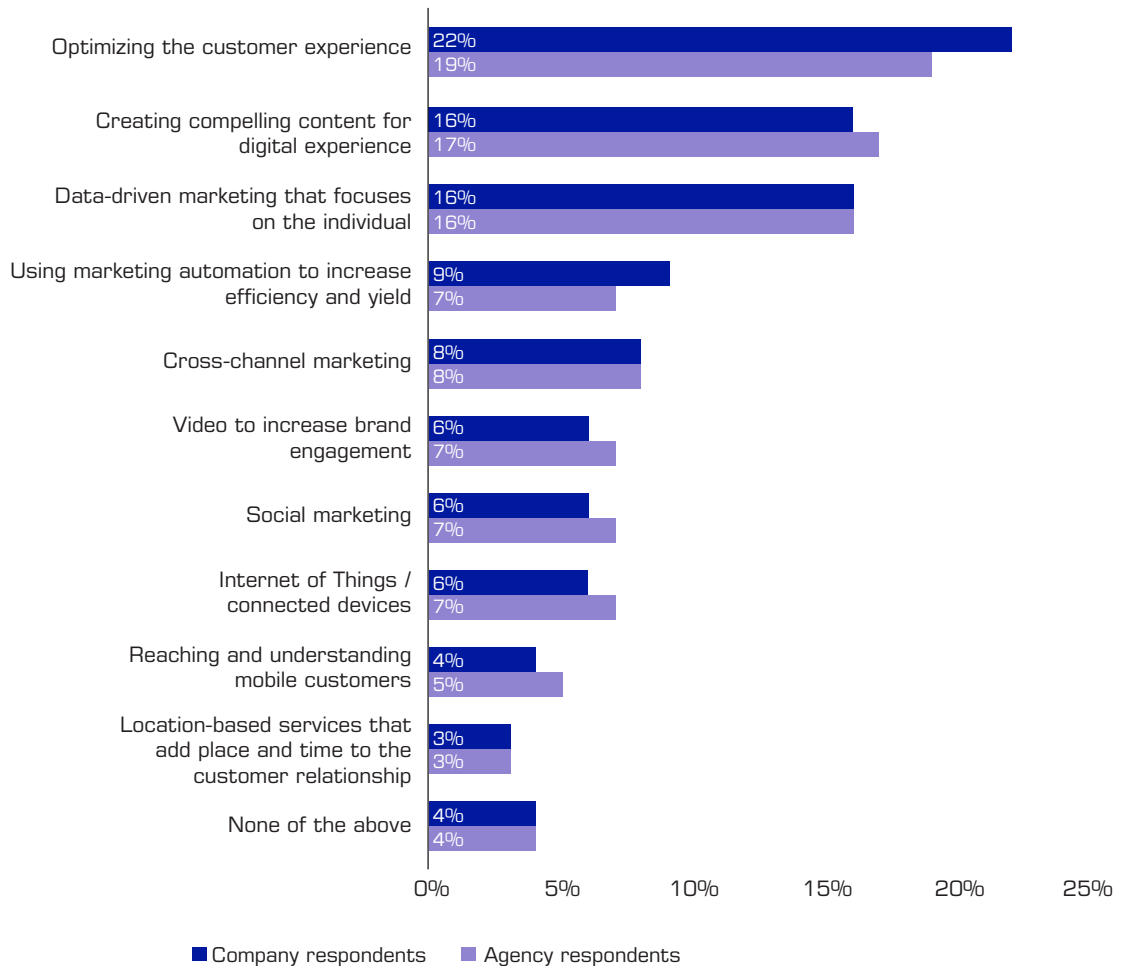
Maybe they should take an IDM course!

Figure 2.1 Most exciting opportunity – 2016 vs. ‘five years’ time’

Source: Econsultancy/ Adobe Quarterly Intelligence Briefing, n = 3013

The immediate digital priorities are somewhat different.

Figure 2.2: Which one area is the single most exciting opportunity for your organization (or your clients) in 2016?



Source: Econsultancy/ Adobe Quarterly Intelligence Briefing, n = 3013 Company and 2653 Agency respondents

THE MARKETING REVOLUTION

The IDM identifies ten ways the Internet has changed marketing. It certainly has: when we think about any market sector from publishing to banking, from grocery retailing to travel, business managers have had to cope with an unprecedented period of change. Metcalfe's Law states that the value of a network is proportional to the square of the number of users connected to the system. While there is some debate about the detail of Metcalfe's argument it is clear that as access to, and usage of, the Internet expands, so the online network becomes more valuable for all applications. We have long ago passed the tipping point, and the pace of change has been phenomenal since the early days of the Web. It is hard to believe that Facebook is about to become a teenager, Twitter has just turned ten and iPod is sixteen years old.

A SHORT HISTORY OF THE INTERNET

- 1969 ARPANet commissioned by US Department of Defence to protect military communications in the event of nuclear war.
- 1971 Email programme is invented, allowing network messaging.
- 1973 First international connections to the ARPANet: UK and Norway.
- 1981 TCI/IP is introduced, a common protocol for the ARPANet.
- 1991 Tim Berners-Lee develops World Wide Web at CERN. The NSF lifts ban on commercial traffic from the NSFNET network.
- 1994 Netscape founded.
- 1996 Commercial Internet users now outnumber public sector users. Jeff Bezos forms Amazon.com. Research project at Stanford University begins, leading to Google founded in 1998. One hundred and fifty countries connected. Ten million hosts. \$1bn changes hands.
- 1998 Dixons launches Freeserve offering free Internet access and attracting 1.3m subscribers. Google goes live.
- 1999 UK online subscribers top twelve million, spending £2bn.
- 2000 Nearly twenty million websites online. Dotcom bubble bursts.
- 2001 Wikipedia is launched; iPod is launched.
- 2002 544.2 million worldwide users of the Internet.
- 2003 Apple launches iTunes, Skype launched, LinkedIn launched, MySpace.com goes live.
- 2004 eCommerce totals \$117 billion, Facebook founded, Firefox goes live.
- 2005 YouTube is launched.
- 2006 Twitter launched, Google acquires YouTube.
- 2007 iPhone released.
- 2008 Chrome browser released, Groupon launched.
- 2010 Instagram and Pinterest go live.
- 2011 Microsoft buys Skype, Whatsapp released.
- 2012 Facebook reaches one billion average monthly users (AMU), PSY's Gangnam style receives 800 million YouTube views.
- 2014 Whatsapp acquired by Facebook for \$19 billion.
- 2016 Facebook now almost seventeen billion members.

THE MAJOR CHANGES TO THE INTERNET

The Internet is available 24/7: this can be valuable to global companies who can take advantage of time zone differences but it also means that there is no downtime to restock. It also raises the question – ‘If we are managing customers 24/7 do we support them offline twenty-four hours a day?’

The Internet is global and while we can put language and geographic boundaries on our website many of the Web's success stories have been around the global development of previously local brands, this raises issues for companies in language and legal issues and means that logistics and currency issues come to the fore. The freight companies and banks have reacted quickly to these opportunities but there are still increased costs of selling and service delivery issues that can create additional administrative burdens.

As business has changed so have customer expectations. We no longer want to wait for delivery: we want what we want *now*. It is the king baby syndrome, if we don't get served properly then we throw out our toys and go somewhere where they will serve us better. So online delivery promises have to be fulfilled. It is clear that sometimes they are not. The number of incomplete shopping baskets is testament to this. Research at Cranfield University identified that it took on average five days to respond to a request for information and of 100 sites contacted for information only 50 per cent responded. Poor navigation, overlong checkout procedures and unnecessary form filling remain major frustrations for online consumers. A very useful book on this and other aspects of Web design is *Don't Make Me Think, Revisited! A Common Sense Approach to Web and Usability* by Steve Krug (2nd edition New Riders 2014).

Online marketing has enabled greater personalization of content and this has been one of the great benefits of a direct approach. The right message to the right person, in the right way at the right time has long been the holy grail of marketing. We can combine a series of data sources including volunteered data and clickstream information to drive advertising and products to a far more precisely defined audience than before. We still have some way to go on this, and scepticism and mistrust of behavioural targeting, overuse of display advertising and poorly targeted email run the risk of killing the goose that laid the golden egg.

The rise of many-to-many communications has been a major factor. We will look in more detail at social media later on but it is clear that the Internet allows for relationship marketing to take place in a faster and more relevant way. Twitter, blogs and discussion boards allow customers to engage in something that has always been done, talking about the products they love – and hate – on a much wider even global basis. The website I Hate Ryan Air (www.ihateryanair.org) is an example of the lengths that some consumers will go to have their say on companies they feel strongly about. Typically, we tell more people about bad experiences than good ones. Pre-2000 research revealed that we tell four people about good experiences and seventeen about poor experiences. Today the figures can be millions. Look at the range of comments on review sites; typically, they are dominated by customers who believe they have been treated poorly. The Web forces companies to consider customer service and the damage poor reputation management can cause. To see this in action search YouTube for United Breaks Guitars – in total around twenty million people have viewed this protest campaign.

Table 2.1: Transaction costs in the banking sector

Bank Transaction	Cost
Phone operator	40p
Interactive Voice Recognition (IVR)	15p
PC	12p
Internet	7p

Source: IDM Course Material/Datamonitor

The open democratic Web is a boon to great companies but constant vigilance on discussion boards and blogs is required. You can look at www.boardtracker.com and www.technorati.com for further advice as well as Google alerts.

The fact that the Web enables cheap contacts to be made is a clear benefit to companies and potentially delivers value back to customers. For example, the use of SMS to remind customers about appointments or deals can be really useful. However, spam and ubiquity is a major issue for consumers. Many years ago Robert Liedermann, one of the pioneers in telemarketing, recommended that the phone should only be used as part of a relationship strategy. The same might be recommended for email and SMS marketing. According to Symantec, 50 per cent of emails in 2015 were classified as spam – this is the lowest figure for twelve years but is still extremely high. According to the IAB in 2016 in the UK, 22 per cent of people are using ad blocking software and this increases to 47 per cent in the eighteen to twenty-four age group. As Seth Godin states, permission is important and increasingly so.

Comparison shopping websites abound, with meerkats and opera singers dominating UK insurance advertising media. Consumers are also using the Web to make their own price comparisons. It is easier to visit five websites than to trawl five out-of-town shopping centres. However, consumers are still looking for the reassurance of offline brands, and use retail stores to look at the functionality, design and quality of products. Around a third of customers look at products in store before buying online and about a quarter look online before buying in store.

The temptation to drive customers into online purchase is attractive due to typically lower transaction costs. However, the long-term development of the relationship and ongoing value may be better served by a combination of bricks and clicks. In the banking sector the relative costs of dealing with the estimated 61 per cent of customers in the UK who bank online is significantly lower; new business and complex transactions are still done face to face. In 2014, according to latest data from the BBA 11.9 million banking transactions in the UK were carried out in a branch with, in 2015, 66.9 million transactions carried out online and 73.8 million carried out on mobile. What these data do not show is the relative complexity of the transaction and the value to customer and the banks of maintaining a branch network to provide the extended service customers require.

Banks may be joining forces with coffee outlets but will still maintain some degree of high street presence. How long it will be before we see a banking supermarket with multiple brands located in one venue, remains to be seen.

The area that has perhaps had most impact is that of data and data integration. We will look at this in the chapters on data but the amount of data generated online is significant. For many businesses the ability to capture data is different from the ability to act on the data successfully. In a wider context we can see that Tesco handles terabytes of data a year and successfully translates this into business strategy. Tesco aligns data within a broad approach to operational strategy to produce results that have been breath-taking over the last fifteen years. Tesco's competitors have failed to keep pace. It is important to understand what needs to be measured as opposed to what is nice to know; and how far this data can be acted upon within the resource base of the business. Companies need to discover how to integrate existing systems and functions with Web data to produce effective strategies for the future.

Finally, the basic questions are: What is the Web for? Why is it being used? Why would customers come to your site and why should they come back?

Is your website a

- shop,
- brochure,
- credentials pitch,
- shop window,
- meeting place,
- centre for learning,
- playground,
- doorway,
- channel for communicating,
- part of your overall strategy?

Or is it

- a barrier,
- out of date,
- not controlled,
- inconsistent,
- hard to reach,
- hard to navigate?

In this sense we return to marketing basics – we must understand our market and define clearly the value we offer relative to the competition. We must get the basics right, i.e. what ultimate benefit do we offer to which market, compared to which competitors? Then craft the online experience through navigation and design. Next we develop an online strategy that is integrated with other routes to market using appropriate scalable technology. And lastly we start to drive traffic to the site through optimization and online and offline marketing campaigns.

Website design lies beyond the scope of this book but it is important to realize that it is a vital part of online marketing. If the site is not well designed in terms of functionality and navigation, then people will not stay on it. If the site is not focused on delivering benefits, they will not stay; if the site is not maintained and is out of date, your customer will leave.

Equally important is that, if this characterizes a website, it will be classified as low quality by the search engines and this will affect your search rankings (more about this later).

Website usability is a fascinating area and if you have an Intranet (a website belonging to an organization which can be accessed only by members, typically its employees); an Extranet (a private site that may link your company with preferred suppliers) or a simple customer-facing website, it is worth looking at Jakob Nielsen's site at www.nngroup.com.

BRANDS AND THE INTERNET

Interbrand, one of the world's most influential branding agencies, defines a brand as: 'A mixture of tangible and intangible attributes symbolized in a trademark, which, if properly managed, creates influence and generates value.'

The Internet introduced consumers to a number of new brands. Some burnt brightly and faded quickly – who remembers www.booo.com? Others made a great impact initially and have settled down into a less favourable but still viable position – www.lastminute.com is an example of this. Others have changed the way the world works and have become global leaders in their sectors: Apple, Google and Amazon are obvious examples.

If we look at the leading global brands we can see that pure Web-based businesses are relatively thin on the ground. According to Interbrand data Amazon are not in the top five by brand value. What we see is one very traditional company, Coca-Cola, in the consumer sector and of the other four, three interestingly, are companies who sell systems and hardware to use and access the new technologies.

Table 2.2: Brand values 2015 \$billion

Rank	Brand	Sector	2015 brand value (\$b)	Change in brand value
1	Apple	Technology	170.3	+ 43%
2	Google	Technology	120.3	+ 12%
3	Coca-Cola	Beverages	78.4	–4%
4	Microsoft	Technologies	67.7	+ 11%
5	IBM	Business Services	65.1	–10%

Source: Interbrand 2016

If however we look at the growth rate in brand values Facebook is top of the list and Apple is second with Amazon third. These companies are growing quickly through an obsession with brand and service and product excellence.

Online brands have to cope with the same challenges that offline brands have had to cope with for many years. However, in the online environment, the process of brand management with its multiple touchpoints and communications channels, including peer to peer, is much harder to manage.

Successful branding depends on the company being organized in such a way that customers receive a consistent and rewarding experience when and wherever they come across the

brand. It's important that all members of the organization understand what the brand stands for. It means tracking and measuring core brand metrics both with customers and also with key internal and external stakeholders. A brand can be seen as a promise; indeed in the early days of branding brands were described as trust marks. If we make a promise to a customer or prospect we must keep it. This means products that perform, a website that works and is easy to navigate, and clear and consistent communication to all our audiences. A very good book on branding is *From Brand Vision to Brand Evaluation: The strategic process of growing and strengthening brands* (Butterworth-Heinemann, 2010) by Leslie de Chernatony.

The need to develop and sustain brand equity is central to almost every business's marketing effort. There are several areas that need to be considered and these are:

- The dimensions or perceived quality and value – how satisfied are brand users?
- Brand image and position – does the brand feel right and is this image consistently communicated?
- How trusted is the brand – does the brand meet expectations?
- How committed are the brand users to the brand – do they make repeat purchases, do they recommend, are they loyal?

These areas are vital to get right in terms of planning, execution and evaluation. In many ways it is easier to manage this in an online environment because of the facility to measure, but the technology must facilitate the development of brand equity. The Internet must not act as a barrier to the development of assets that will, if managed effectively, last longer than the careers of the marketers who manage them. Coca-Cola was introduced to the UK in 1900.

THE ONLINE MARKET

If the basic principles of revenue generation and marketing remain constant, certainly the growth in online activity over the last ten years has been a true revolution. Fortunes have been made, lost and made again as new applications and approaches have turned the early days of dot.com boom and bust into an integral part of every company's overall business.

There is a vast array of data that tracks the growth of e-commerce and online activity worldwide. Some of this is very contradictory and confusing in the detail of sectors tracked, methodology etc. In the UK we are lucky. We have a very reliable source of information on online activity through the Office for National Statistics at www.statistics.gov.uk. The information they publish is both reliable and free of charge and is often used by companies who repackage the data and sell it on.

The latest available data from the Office for National Statistics tells us that in January 2016 Internet retail sales represented around 14 per cent of the value of all sales of UK non-financial sector businesses. This is forecast to increase to 17 per cent by 2020. Online sales were up 10.4 per cent from the same period in 2015. Average weekly online sales were in January 2016 were £834 million across all sectors.

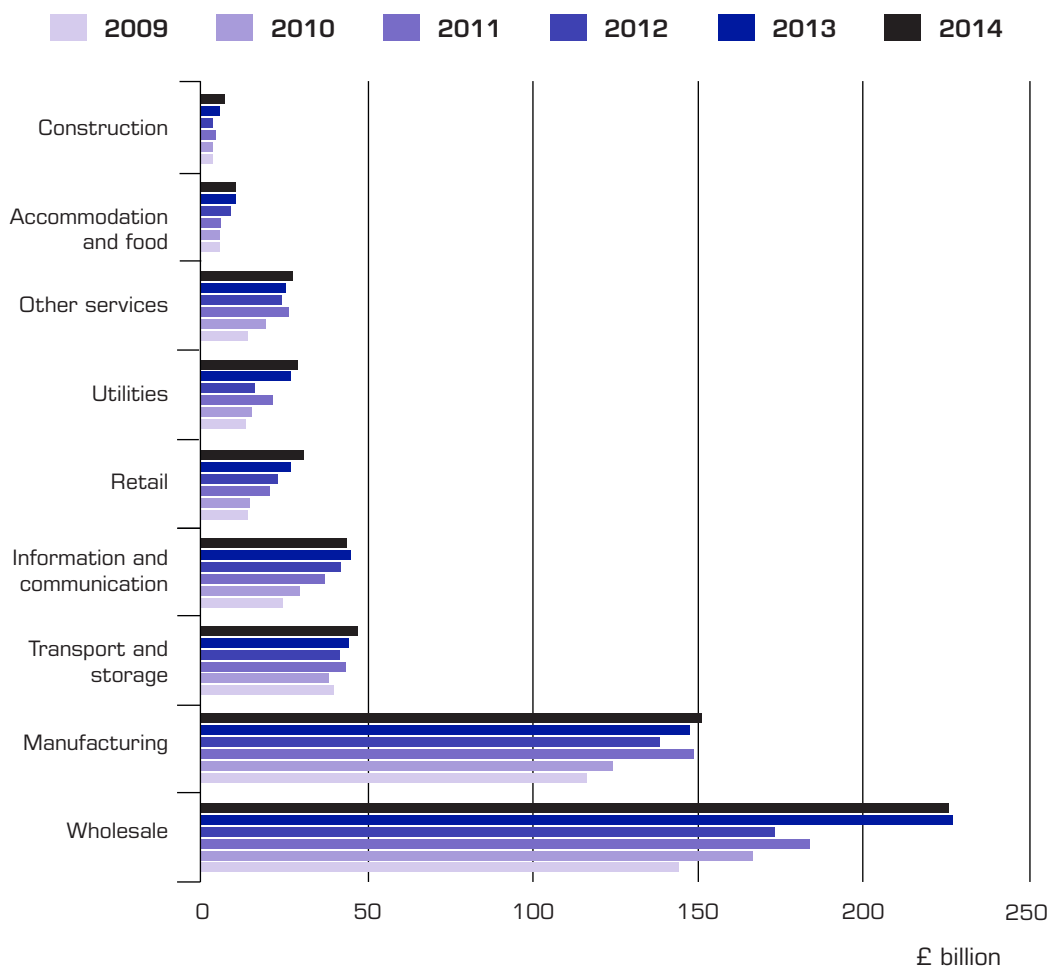
In 2008, total sales value across all retail distribution excluding the financial services sector in the UK was £339bn and the value of Internet sales rose to around £47 billion.

According to the latest data available from the Office for National Statistics in 2014, the total value of all e-commerce sales by businesses was £573 billion (based on businesses with ten or more employees). This was an increase, in current prices, of £239 billion since the 2008 estimate of £335 billion. The total e-commerce sales of £573 billion represented 20.1 per cent of business turnover, compared with 19.8 per cent in 2013 and 13.7 per cent in 2008. This demonstrates the increasing importance of e-commerce in the economy.

The UK's largest businesses (1,000 or more employees) continued to dominate e-commerce sales. They represent just 0.7 per cent of the number of businesses with ten or more employees, but accounted for 48 per cent of e-commerce sales in 2014.

EDI (the computer-to-computer exchange of data and documents in a standard electronic format) sales of £374 billion accounted for 65 per cent of the value of total e-commerce sales

Figure 2.3: Value of UK e-commerce sales, by industry sector, 2009 to 2014 (excluding micro-enterprises)



Source: Ofcom 2016

in 2014, with the remaining £199 billion (35 per cent) being website sales. The proportion of businesses making e-commerce sales was 22.9 per cent in 2014, an increase from 17.1 per cent in 2009 (the earliest year when comparable records are available). In 2014, more businesses made website sales (19.5 per cent) compared with EDI sales (6.3 per cent), although the value of EDI sales is much greater than website sales.

While 22.9 per cent of businesses generated e-commerce sales, 50.6 per cent of businesses made e-commerce purchases in 2014.

Sales over a website have grown steadily in recent years, both in terms of the proportion of businesses using websites for sales, and the value of website sales. In 2014, 19.5 per cent of businesses sold over a website – up from 14.0 per cent in 2009. In terms of sales value, website sales reached £199 billion in 2014, up from £111 billion in 2009, or an 80 per cent increase over the period.

In 2014, the value of website sales as a proportion of turnover was 7.0 per cent, up from 6.5 per cent in 2013 and 4.9 per cent in 2009.

In 2014, 19.4 per cent of UK businesses received orders over a website from customers in the UK, 8.6 per cent from customers in other EU countries and 6.9 per cent from customers from the rest of the world.

At the same time advertising revenues have continued to grow in the online space in 2009. Ofcom data drawing on a study from the IABUK and PWC put the total value of online advertising at £3,541.1 million.

Table 2.3: Internet advertising expenditure, by category 2009–15

Digital advertising expenditure by type: 2009–2015					
Expenditure (£ millions)					
Year	Display	Classifieds	Paid for search	Other	Total
2009	771.8	657.7	2097.4	31.9	3558.9
2010	1050.5	717.9	2244.9	83.9	4097.1
2011	1280	758.6	2708.2	75.2	4822.1
2012	1478.6	817.9	3087.2	64	5447.7
2013	1825	882.4	3470.6	79.4	6257.5
2014	2420.5	1049.9	3767.8	96.4	7334.6
2015	3032.8	1114.9	4354.8	103.1	8605.5

Source: Ofcom/IABUK/PwC 2016

IAB / PwC Digital Adspend 2009–2015

In 2015, this accounted for 41.1 per cent of total advertising spend in the UK, this is up from 23.5 per cent in 2009 (although this depends on the definition of advertising).

The figure for expenditure on all forms of advertising direct marketing was around £20.1 billion in 2015.

Table 2.4: UK advertising expenditure: 2015

UK advertising expenditure: 2015			
Expenditure (£ millions)			
	Non-digital	Digital	TOTAL
Cinema	238		238
Radio	592		592
Out of home	1059		1059
Direct mail	1861		1861
Press brands	2636	702	3338
TV	5095	175	5270
Internet		8606	8606
Total	11481	9483	20964

Source: AA/WARC Expenditure Report, April 2016

Note: 'Press brands' is a consolidation of magazine brands and national and regional news brands.

Total digital advertising spend is double-counted in digital TV spend (broadcaster VOD revenue), and in 'press brands' digital spend.

Note: The AA/WARC data are net of discounts, and includes agency commission, but excludes production costs.

Table 2.5: Advertising expenditure by medium 2015 £million

	Adspend 2015 (£m)	2015 vs. 2014 % change	Forecast 2016 % change	Forecast 2017 % change
TV	5,270	7.3%	5.1%	5.1%
<i>of which spot advertising</i>	4,760	6.7%	4.4%	4.3%
<i>of which broadcaster VOD</i>	175	20.7%	17.1%	17.1%
Radio	592	2.9%	4.3%	3.8%
Out of home	1,059	3.9%	4.9%	4.2%
National newsbrands	1,220	-11.0%	-5.9%	-3.4%
<i>of which digital</i>	220	2.5%	4.7%	10.7%
Regional newsbrands	1,176	-6.2%	-5.4%	-3.8%
<i>of which digital</i>	199	14.8%	13.8%	11.6%
Magazine brands	942	-5.2%	-4.5%	-2.7%
<i>of which digital</i>	283	6.1%	3.4%	5.9%
Cinema	238	20.8%	4.0%	1.7%
Internet	8,606	17.3%	11.5%	10.6%
<i>of which mobile</i>	2,627	61.1%	36.8%	23.2%
Direct mail	1,861	1.4%	0.9%	-0.5%
TOTAL UK ADSPEND	20,087	7.5%	5.5%	5.5%

Broadcaster VOD, digital revenues for newsbrands and magazine brands, radio station websites and mobile advertising spend are also included within the internet total of £8,606m, so care should be taken to avoid double counting. Radio includes branded content. From Q1 2015, the IAB has included spend for outstream/in-read video for the first time. This amounted to approximately £148m in 2015.

Source: AA/Warc Expenditure Report, April 2016

Despite the somewhat confusing picture it is clear that online marketing is significant and growing, and while as direct marketers we must manage the customer experience across all touch points, the growth area of the business at the moment is online.

However, it is necessary to generate a degree of balance: have the basic principles of marketing changed? We would argue that these remain more important than ever.

In a highly confused and fragmented media world the need to keep close to customers is greater than ever. In some ways online delivers the data we need to achieve this and this is why it has grown so fast. We can use a variety of techniques to meet our customers' needs faster and more efficiently. However, in other areas we see a great deal of dissatisfaction with online service, a lack of trust in online brands and accusations of sharp practice.

At its best, the integration of online and offline can deliver more effectively and more efficiently the promise of marketing, the mutually satisfactory exchange of value.

So while this book is called 'Direct and Digital Marketing in Practice', it could be argued that what we are talking about is just marketing, pure and simple. Direct and digital techniques should be fully integrated within all organizations' marketing plans. We are at a point in history that means value can be created by the words digital and online, but in a few years these terms will be unnecessary: it is just the way we do our work as marketing professionals. That said, we do need to understand these new techniques and how they have changed business.

THE ONLINE AUDIENCE

The great advantage of digital and online marketing is the amount of data that is available to us. The great disadvantage of digital and online marketing is the amount of data that is available to us.

As we have said, there is so much information that it is sometimes hard to find the resources to deal with it effectively: and the same is true for audience data.

Worldwide, the online audience grew by nearly 400 per cent between 2000 and 2009. The highest growth rate was in Africa but Africa still has the lowest penetration of Internet usage at just under 9 per cent. Internet usage is highest in North America at just over 72 per cent; Oceania and Australia is second at 61 per cent; and Europe is at 53 per cent penetration.

Table 2.6: World Internet usage and population statistics, 30 June 2016

World Regions	Population (2016 Est.)	Population % of World	Internet Users 30 June 2016	Penetration (% Population)	Growth 2000–2016	Users % of Table
Africa	1,185,529,578	16.2%	339,283,342	28.6%	7,415.6%	9.4%
Asia	4,052,652,889	55.2%	1,792,163,654	44.2%	1,467.9%	49.6%
Europe	832,073,224	11.3%	614,979,903	73.9%	485.2%	17.0%
Latin America / Caribbean	626,054,392	8.5%	384,751,302	61.5%	2,029.4%	10.7%
Middle east	246,700,900	3.4%	132,589,765	53.7%	3,936.5%	3.7%
North America	359,492,293	4.9%	320,067,193	89.0%	196.1%	8.9%
Oceania / Australia	37,590,704	0.5%	27,540,654	73.3%	261.4%	0.8%
WORLD TOTAL	7,340,093,980	100.0%	3,611,375,813	49.2%	900.4%	100.0%

Source: www.Internetworldstats.com. Reproduced with permission

NOTES: (1) Internet Usage and World Population Statistics are for 31 December 2009. (2) Click on each world region name for detailed regional usage information. (3) Demographic (Population) numbers are based on data from the US Census Bureau. (4) Internet usage information comes from data published by Nielsen Online, by the International Telecommunications Union, by GfK, local Regulators and other reliable sources. (5) Information in this site may be cited, giving the due credit to www.Internetworldstats.com.

In the UK, the latest data available show the extent to which the business and social life of the UK has changed due to the rapid uptake of the Internet. In 2016, around 86 per cent of UK adults claimed to have Internet access at home: this is up from 73 per cent in 2009.

Increasingly, access to the Internet is achieved via Smart devices – 71 per cent of the UK population is connected via smart phones and 59 per cent via tablet.

Table 2.7: UK Internet and Web-based content market – key statistics

UK Internet and online content market	2009	2010	2011	2012	2013	2014	2015	2016
Internet take-up (%) ¹	73	75	77	79	80	82	85	86
Laptop take-up (%) ¹	44	51	55	61	62	63	65	64
Smartphone take-up (%)	n/a	n/a	27	39	51	61	66	71
Tablet take-up (%) ¹	n/a	n/a	2	11	24	44	54	59
Consideration that the smartphone is the most important device for Internet access (%) ¹	n/a	n/a	n/a	n/a	15	23	33	36
Total digital audience (million) ²	n/a	n/a	n/a	n/a	n/a	n/a	47.5	50.3
Digital advertising expenditure (£bn) ³	3.6	4.1	4.8	5.4	6.3	7.3	8.6	n/a
Mobile advertising expenditure (£m) ³	38	83	203	529	1021	1631	2627	n/a

Source: ¹Ofcom consumer research, ²comScore MMX Multi-Platform, UK, data taken for March 2015 and March 2016; ³IAB/PwC Digital Adspend
 Note: With the exception of Internet, and Internet on mobile phone, take-up data, all data relate to the calendar year, so 2016 data are currently unavailable.

Note: Caution is advised in comparing values before and after February 2011 because of a change in comScore methodology.

According to OFCOM in 2016, 86 per cent of UK adults claimed to have Internet access at home, via any device. Take-up of Internet access varies by age: more than 90 per cent of adults aged under fifty-five claimed to have Internet access at home (broadly in line with previous years), although among those aged fifty-five to sixty-four, access had increased by 5 per cent (to 87 per cent) since 2015. Those aged seventy-five and over had the lowest incidence of Internet access; less than half (45 per cent) claimed to have it.

It seems that more adults are using their mobile phones to access the Internet at home: while the proportion of households with fixed broadband remained stable between 2015 and 2016 (at 78 per cent and 79 per cent respectively), the proportion of adults using a smartphone to access the Internet at home has increased from 61 per cent to 66 per cent.

There has been growth in Internet access by all age groups. Although the youngest age group (those aged sixteen to twenty-four) had the highest level of access, at 94 per cent, the largest increase in the proportion of those accessing the Internet was in the oldest age group (sixty-five +).

Table 2.8: UK home Internet access, by age, social class and gender

Proportion of adults with home Internet access														
Year	UK	16–24	25–34	35–54	55–64	65–74	75 +	ABC1	AB	C1	C2	DE	Male	Female
2014	82	94	92	89	78	67	32	90	93	88	80	67	82	79
2015	85	91	94	94	82	75	40	92	94	90	84	70	82	79
2016	86	92	93	93	87	77	45	92	94	90	86	74	82	79

Source: Ofcom Technology Tracker, H1 2016

Base: All adults aged 16+ (n=3737)

QE2: Do you or does anyone in your household have access to the Internet at home (via any device, e.g. PC, laptop, mobile phone etc.)?

USAGE

The range of reasons for using the Web is diverse and the tables and the following charts outline the core applications.

Table 2.9: Reasons for using the Internet, 2015

Claimed use of the Internet for selected activities										
Adults (%)										
	Remotely control/ monitor household appliances	Streaming audio services	Listening to radio	Accessing file through a cloud service	Use Twitter	Trading/ auctions	Finding/ downloading info for college	Uploading/ adding content to Internet	Making voice calls using a VoIP service (e.g. Skype)	
Used in the past week	2	10	12	13	14	11	15	16	18	
Use less often	1	6	8	7	6	13	11	11	12	
Total	3	16	20	20	20	24	26	27	30	

Claimed use of the Internet for selected activities

	Downloading music	Playing games	Using local council/ Government websites	Watching short video clips	Accessing news	Finding/ downloading info for work	Finding health information	Instant messaging
Used in the past week	18	22	13	27	31	30	17	41
Use less often	15	11	22	14	11	13	27	12
Total	33	33	35	41	42	43	44	53

Claimed use of the Internet for selected activities

	TV/ Video viewing	Using social networking sites	Banking	Purchasing goods/services	Sending and receiving email	General surfing/ browsing	Any
Used in the past week	42	51	50	40	75	81	96
Use less often	15	7	13	27	12	7	2
Total	57	58	63	67	87	88	98

Source: Ofcom Technology Tracker, H1 2016

Base: All adults aged 16+ who use the Internet at home or elsewhere (n = 3100 UK)

QE5A: Which, if any, of these do you use the Internet for?

Ofcom reports that consumers are using the Web to bank, to shop and find information. Almost two-thirds of the UK digital population visited Amazon in April 2016.

Of all the selected online retail services, Amazon had the largest digital audience across all devices (laptops, desktops and mobile devices), at 32.5 million visitors in April 2016 (65 per cent of the total digital audience). eBay was the second most popular online retail site visited in April 2016, with 29.2 million visitors (65 per cent of the total digital audience), followed by Argos with fourteen million visitors (48 per cent of the total digital audience).

With the exception of John Lewis, Marks & Spencer and Next, more people accessed online retail services on mobile devices rather than on laptops and desktops.

MOBILE CONTENT

Mobile access to Internet content has also increased significantly, and the range of applications has increased. This growth has largely been down to the rise of Apple's iPhone iPod and tablet technology, although many rivals are now offering highly sophisticated competitive products. Regarding mobile applications, social media accounts for the majority of time spent online, with 50 per cent of total mobile time spent accessing social media accounts.

Table 2.10: Average time online on a smartphone, by age and gender, March 2016

Age	Hours	
	Male	Female
Adults (18+)	57.2	62.1
18-24	69.98	79.02
25-34	61.18	68.91
35-44	63.15	60.39
45-54	47.89	52.17
55+	40.24	48.68

Source: comScore Mobile Metrix, March 2016. Browser and application access combined.

Note: Includes Android and iOS smartphones

Note: Changes were made to comScore Mobile Metrix methodology in January 2016. comScore entities were affected to varying degrees.

Table 2.11: Selected social media behaviour among mobile Internet users, April 2016

	Mobile Internet users (%)
Received coupons, offers or deals	12.6
Used check-on features to post physical location	12.9
Posted videos	14.2
Posted links to websites	15.6
Read posts by public figures or celebrities	19.2
Read posts by organizations/brands/events	20.1
Posted photos	31.2

Source: comScore MobiLens Plus, UK month averages ending April 2016

Base: Mobile Internet users 13+

As expected, search, telecoms sites, entertainment and news sites are the most popular. However, commerce, finance and travel sites are not far behind. In 2016 the typical user spent nearly twenty hours a week online at the same time the average UK citizen watched twenty-eight hours of television.

Table 2.12: Proportion of social media time attributed to devices, by age group

Proportion of social media time (%)							
	Adults 16 +	16–24	25–34	35–44	45–54	55–64	65 +
Mobile phone	50%	61%	57%	56%	32%	22%	4%
Computer	34%	29%	25%	29%	42%	53%	71%
Tablet	13%	5%	12%	13%	26%	24%	23%
TV set (incl. connected devices)	3%	4%	6%	1%	1%	1%	2%
Average daily minutes on social media	1h 16m	2h 26m	1h 1m	1h	1h	58m	35m

Source: Ofcom Digital Day 2016

Adult diary: Chart shows the proportion of all social media time (B2) attributed to each activity by age group.

*The average daily minutes figure is among those who used social media at all across their diary week on any device (sum figure).

Base: Adults aged 16+ who used any social media during their diary week (991).

Table 2.13: Online activities ever done by Internet users

% of internet users	2013	2014	2015
Watch online video			
Watch online or download short video clips such as music videos or comedy clips (e.g. YouTube) (2013 & 2014)/Watch short video clips online (such as on YouTube) (2015)	62%	73%	78% ↑
Watch online or download TV programmes or films (e.g. BBC iplayer, 4OD, ITV Player, Sky Player, etc) (2013 and 2014)/Watch TV programmes or films online through services such as IPlayer, ITV Player	54%	60%	67% ↑
Listen to audio content			
Listen to or download music online (2013 & 2014)/Listen to streamed music online (such as Spotify or Apple Music (2015)*)	52%	61%	50%
Listen to radio stations online	32%	37%	47% ↑
Communicate or participate			
Sending and receiving emails (2013 & 2014)/Send a receive emails (2015)	95%	94%	93%
Use Instant Messaging such as Facebook, Messenger, Whats App. Windows Live Messenger or Skype Chat	69%	75%	78%
Look at social media sites or apps (such as Facebook, Twitter, LinkedIn, Instagram, Tumblr or Pinterest)	74%	75%	76%
Upload or share videos or photos online	NA	63%	70%

% of internet users	2013	2014	2015
Make a receive telephone or video calls, using services like Skype or FaceTime	42%	56%	57%
Share links to websites or online articles – perhaps on Twitter, Facebook, Reddit and Pinterest	49%	57%	54%
Contribute comments to a website or blog	NA	47%	50%
Play games			
Play games online	39%	42%	41%
Browse, search for content and access news			
General surfing/browsing the Internet	94%	97%	95% ↓
Find information for your leisure time including cinema and live music	78%	83%	81%
Look at news websites or apps	70%	76%	77%
Find information about health related issues	70%	78%	76%
Find information for your work or your job or your studies	68%	71%	67% ↓
Look at job opportunities	49%	57%	52%
Fill in a job application online (added in 2015)	NA	NA	43%
Look at adult-only websites	13%	15%	14%
Transact			
Buy things online	84%	85%	82%
Bank and pay bills online	67%	68%	67%
Sell things online	38%	41%	41%
Online gambling	10%	NA	8%
Access public or civic services			
Looking at websites or apps for news about, or events in, your local area/the local community (2013 & 2014)/Look for news about, or events in your local area (2015)	56%	69%	73% ↑
Look for public services information on government sites such as gov.uk and HMRC (amended in 2015)	NA	NA	68%
Complete government processes online – such as register for tax credits, renew driving licence, car tax or passport, complete tax return	61%	69%	66%
Look for information on public services provided by your local council (amended in 2015)	NA	NA	62%
Sign an online petition	19%	35%	39% ↓
Look at political or campaign or issues websites (2013 & 2014)/			
Look at political or campaigning websites (2015)	29%	44%	37% ↓
Contact a local councillor or your MP online	13%	19%	21%

% of internet users	2013	2014	2015
Other activities			
Download software	55%	60%	61%
Access files through a cloud service such as iCloud, Dropbox, Google Drive or OneDrive (added in 2015)	NA	NA	48%
Set up or maintain a website or blog	24%	27%	29%
Do an online course to achieve a qualification	17%	27%	21% ↓

IN15/IN16 – When using any of the devices you said you use to go online at home or elsewhere, how often, if at all, do you do any of the following?

Base: All adults aged 16+ who go online (1272 in 2013, 1609 in 2014, 1458 in 2015).

Arrows show significant changes (95% level) between 2014 and 2015.

Clearly, there is a growing, increasingly sophisticated, valuable online market that is accessing the Web from a variety of platforms, and this is increasing mobile.

The next question is how can we create a business from these customers?

DESIGNING AN ONLINE STRATEGY AND IMPLEMENTATION

Despite the claims for the Internet, when we look at the development of strategy for the Web we see that very often the same models and frameworks apply. There are a few tweaks to the traditional models but essentially the structure is the same. We look at developing a direct and digital strategy in Chapter 6 but here we will briefly touch on the core frameworks that support digital strategy development and this section might usefully be read in conjunction with Chapter 6.

The major issue is that there are very few brands that are pure play online brands, i.e. those that use only digital media, channels and distribution to reach their customer and prospect base. The majority struggle to integrate online and offline activity, and it is interesting to note that the two major growth areas in marketing included digital online marketing and experiential marketing. Experiential marketing attempts to make the intangible experience and communities that exist online, tangible and meaningful to consumers in the real rather than the virtual world.

So, what is strategy? Marketing strategy can be defined as optimizing the fit between an organization and the customer groups it seeks to serve in order to create value for all parties involved over the longer term.

Its core characteristic is that it concerns interaction between the products and services that we offer to the customers/clients that we target. In general, strategy has the following characteristics:

- identifies and allocates resources;
- identifies the way the organization will meet its goals;
- broad in scope;
- descriptive;

- general;
- offers a set of guiding principles.

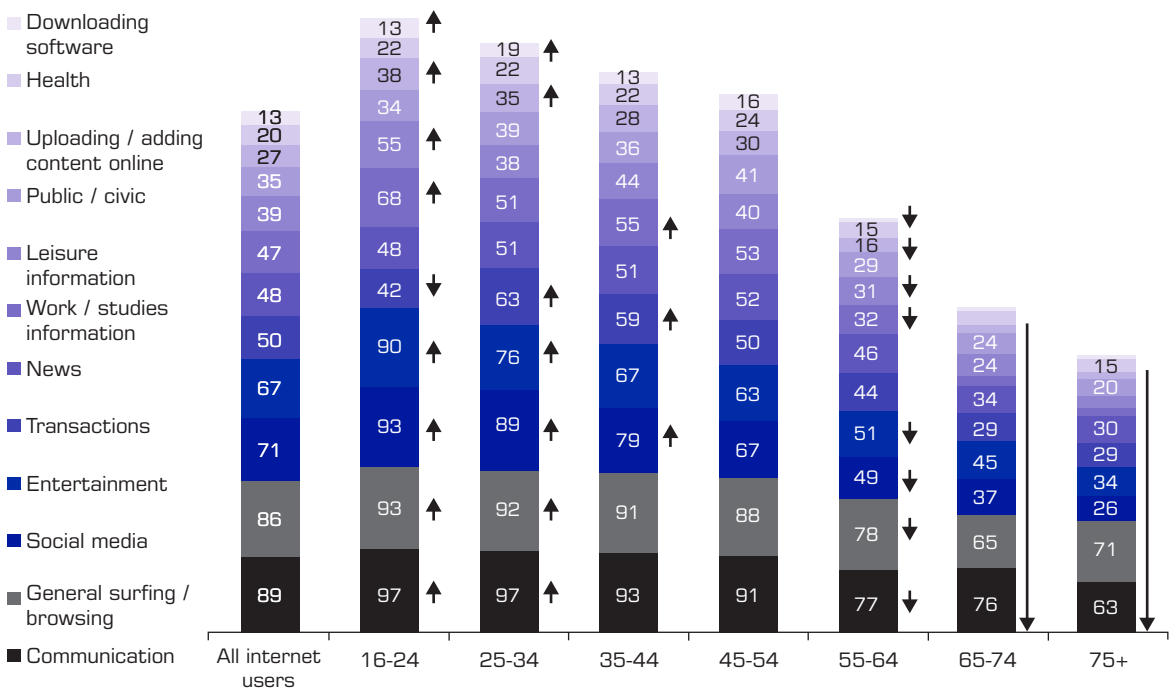
Strategy is inextricably linked to delivery and execution through tactics which typically are focused on:

- the detailed implementation of strategic choices;
- operational execution;
- specific activities are scheduled, timetabled, budgeted, for and measured;
- narrow task-driven activity with a degree of flexibility, built in.

A digital strategy therefore simply means that the relationships and the characteristics of strategy are delivered through digital channels, media and methods. Put simply, what are our online business objectives, which customers will we serve, and how; what will the costs of this activity be; and how much will it return over time?

The next task is to integrate digital strategy with offline strategy to produce an optimal outcome for customers and the organization across all channels to market.

Figure 2.4: Online Activities 2015



Source: IN15/16 When using any of the devices you said you use to go online at home or elsewhere, how often, if at all, do you do any of the following?

Base: All adults who go online (1458 in 2015, 239 ages 16–24, 249 aged 25–34, 269 aged 35–44, 253 aged 45–54, 208 aged 55–64, 126 aged 65–74, 114 aged 75+)

Arrows show significant differences (95% level) by age compared to all internet users

It has to be clear that a digital strategy cannot be developed in isolation. As we will see later, we need to understand the customer experience and successfully integrate online and offline approaches as appropriate.

This is not to underplay the role of digital marketing and there are many techniques and methods that must be mastered in order to become a competent direct and digital marketer, however many of these apply to the tactical level.

Dave Chaffey, in his book *Digital Marketing: Strategy Implementation and Practice* (Prentice Hall, 2015) presents a useful framework for the discussion of strategic development of digital approaches to customers. (See Figure 2.5 on page 45.)

The strategic planning process for direct and digital is covered in more detail in Chapter 6. However, the online strategy planning process in brief covers the following areas:

- Our current market position or situation analysis;
- Internal resources, external factors including Pestel and competition;
- Business and marketing objectives acquisition versus retention and related costs;
- Strategy – how we deliver the objectives
 - Segmentation, targeting and positioning, which markets, with which brands
 - Data and information strategy, the integration of web analytics database and marketing research
 - Broader mix issue including product decisions, pricing approaches, channel choice, systems and processes, customer service and HR;
- Tactics – the detailed plan
 - Detailed communications and contact strategy across communications channels, including search, email, social media and online display;
- Measurement and review against marketing objectives and at campaign level
 - Web metrics and analytics
 - Campaign reporting
 - Market research on brand, customer perceptions and attitudes.

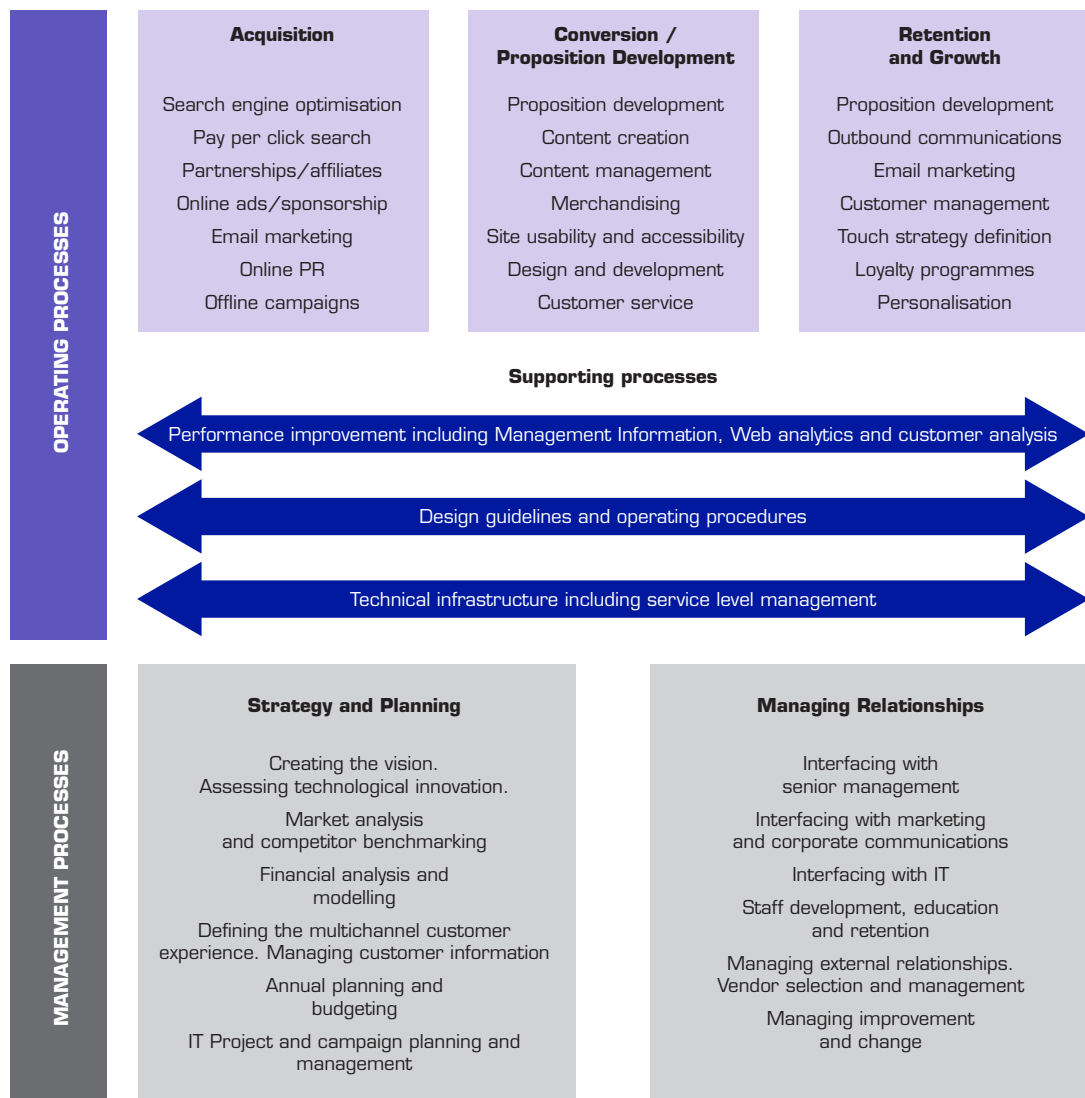
So, while there is a significant intersection between the overall strategic plan and the digital plan, there are some significant differences, which we will focus on in the rest of this chapter.

SEARCH ENGINE MARKETING (SEM)

Search is a very important part of the marketer's armoury. SEM is a combination of two activities; one is the work done to optimize a website for what is called natural search, the other is the output from pay-per-click (PPC) campaigns. These two activities are linked in that they aim to drive traffic to a website, but they are separate in key areas.

Search has several overriding benefits. It is highly targeted. When we enter a search term we are actively looking for products and services, in effect we are calling the company's messages to us. Paid search is highly controllable and very cost-effective. Investment in search can help drive branding strategies. Top listings are far more noticed than banners, and conversion rates typically are higher than other online media.

Figure 2.5: Digital channel strategy



Source: Dave Chaffey, *Internet Marketing: Strategy Implementation and Practice*, 3rd edition (Prentice Hall, 2010)

THE SEARCH MARKETPLACE

According to Ofcom, paid-for search now accounts for 50.6 per cent of total Internet advertising expenditure and its proportion of online advertising spend has reduced slightly as the popularity of display formats have increased. Search sites are the most popular in the UK with Google dominant as can be seen from the table below. Of the total search engine traffic, Google accounted for around the 88 per cent of searches in November 2015 and the top three search engines account for nearly 99 per cent of all traffic.

Table 2.14: Top ten most popular comScore Properties among the total digital audience: March 2016

Top ten most popular comScore Properties among the total digital audience: March 2016	
	Unique audience (millions)
	16 Mar
Google Sites	47743.181
Facebook	39035.506
Microsoft Sites	38851.318
Amazon Sites	36977.132
BBC Sites	36915.343
Yahoo Sites	32598.525
eBay	30269.605
Sky Sites	28384.524
Trinity Mirror Group	27510.31
Mail Online/ <i>Daily Mail</i>	27314.586

Source: comScore MMX Multi-Platform, UK, March 2016

All sites listed are at the property level [P]. Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams, on-network and Wi-Fi mobile browsing and app use.

Note: Starting with July 2013 data, comScore added tablet data to the mobile data field of MMX Multi-Platform. Only those entities that have been tagged as part of the census network report tablet usage data.

Table 2.15: Audience of search engines: March 2016

	Unique audience (millions)		
	Total digital audience	Laptop and desktop audience	Mobile audience
Google Search [C]	39,326	35,210	19,542
Bing [C]	21,256	18,707	5,636
Yahoo Search [C]	12,983	11,717	2,818

Source: comScore MMX Multi-Platform, comScore MMX, comScore Mobile Metrix, UK, March 2016 MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams and mobile use. 'Total mobile' includes Android smartphones and iOS smartphones and tablets. Only those entities that have been tagged as part of the census network report Android tablet usage data.

Note: Changes were made to comScore Mobile Metrix methodology in January 2016. comScore entities were affected to varying degrees.

NATURAL SEARCH

Google introduced major changes to their search engines returns pages in March 2016.

To summarize these changes:

- You may have noticed on recent Google searches that the right-hand-side ads have gone. There are now four ads placed above the Natural Search returns, and a greater emphasis on sponsored shopping through Product Listing Ads (PLAs).

- This has created more room for organic results as the column with has expanded for 500 to around 600 pixels. Pages titles have also extended from between fifty and sixty characters to seventy characters. The description tags have also increased to enable us to talk in more detail about the business, and have been increased by around 100 characters per line, now running to three lines. Rich snippets continue to allow companies to increase the quality of returns offered to browsers and rich cards in mobile do a similar job.
- This area is constantly shifting and to keep in touch: look at moz.com, and for more technical advice go to Google search console/ Google webmaster tools.
- The basic structure of SEO however has not changed, we still see a combination of natural and paid-for search.
- Natural search is the activity that drives our 'organic' listings. This is the area below the paid ads on the Google search return screen.

Figure 2.6: Google heat map



The heat map above shows why it is useful to be top of PPC and organic search as our eyes fall naturally on the top left of any page. The crosses mark where the eye lands and the whiter the image the longer the eye is fixed on that area of the screen.

Natural or organic search listings are free and the Holy Grail for search engine marketers is to understand how to raise the position in natural search rankings.

The work here is ongoing as the market is constantly evolving there are several things to consider.

ANALYSE KEYWORDS

Search engines are reconciling the interests of three parties, advertisers, users and the search engine itself. Relevance becomes a very important driver of ranking. Put very simply, the fit between the search term and your website may deliver a better position. These keywords are important. When writing copy for a website it is important to realize that you are writing for two audiences – the readers and the search robots or spiders which trawl your site indexing content. Google has a very useful tool to explore keywords. The tool can be found at www.google.com/adwords/. A useful idea is to check the key word density of your site and your competitors' sites. There are many such tools and one can be found at www.tools.seobook.com/general/keyword-density/.

The temptation is to pack the site with keywords, but the recommendation is to use keywords carefully at a maximum of around 10 per cent of content.

The key thing is that a website has to be read and accessible and usability and experience are more important today than density per se.

Do not simply choose keywords that generate the most impressions as all competitors will be doing the same. There may be several hundreds of keyword combinations.

You must consider your objectives: if you are competing against aggressive, significant and numerous competitors it will be tough. In this case you can look for alternative or niche words that will compete effectively. Often it is better to achieve high-quality traffic rather than large numbers.

It is important to be honest and up front. Google knows all the tricks and you can be removed from Google's listings very easily.

INDEX CONTENT

For your site to be indexed it must be submitted to all major search engines. For Google the Web link is www.google.com/webmasters/tools/submit-url. Submitting for indexing does not necessarily guarantee that your site will be indexed but you can check what pages are indexed by entering the search operator site: yourdomainname into your search engine.

There is a range of such operators and they include:

- site: indexed pages in your site site: www.yourdomain;
- link: pages that link to your site's front page link: www.yourdomain;
- cache: the current cache of your site cache: www.yourdomain;
- info: information we have about your site info: www.yourdomain;
- related: pages that are similar to your site related: www.yourdomain.

A useful list is available at www.bynd.com/news-ideas/google-advanced-search-comprehensive-list-google-search-operators/.

OPTIMIZATION OF PAGE AND WEBSITE CONTENT

The next stage is to optimize content and navigation. Google looks at quality and measures of reputation. So a good, well-designed landing page is vital: and good links through your site and correct use of web standards is important.

Web standards are controlled by W3C, which develops technical specifications and guidelines through the creation of technical and editorial quality standards. Their mark-up validation service is available at www.validator.w3.org/.

This is an area that can become very technical and the relationship you have with your web designer will be crucial. However, there are a few key areas to be aware of.

Keywords can be included in body copy but can also be included in:

- Page titles which appear at the top of the Web page:
 - Keyword rich and descriptive
 - Most important words at the beginning
 - No longer than seventy characters.
- Meta descriptions part of the source code
 - Attractive and should present a call-to-action
 - Communicate the content on the page
 - When a three line snippet is displayed they should be 278 characters per line.
- Meta keywords
 - Should include synonyms, pluralization, misspellings
 - Seven to nine keywords per page.

If you right click on a Web page and click view source code you can see a range of opportunities for keyword insertion.

There are a vast number of sources on practical Web design. A starting point is Google: support.google.com/analytics/answer/1745152?hl=en.

DEVELOP LINK PARTNERSHIPS

Google increasingly defines itself as a reputation engine and it tries to return search results of the highest quality to its users. Part of this measure relates to links.

<https://moz.com/blog/10-illustrations-on-search-engines-valuation-of-links>

<https://moz.com/beginners-guide-to-seo/growing-popularity-and-links>

Page rank is one way that Google measures the quality of websites and it appears to be more effective to link to companies with a higher page rank score.

Page rank is logarithmic like the Richter scale for earthquakes. Five is twice four, which is twice three. A good website will have a page rank of five or higher. The BBC has a page rank of nine out of ten.

It appears that more links with a higher page rank into another page increase the page rank score. Outbound links appear less valuable. Internal links are also useful.

In March 2016 Google removed Toolbar PageRank. This meant that if you were using a system that showed Google PageRank information it no longer works. Google however continues to look at PageRank within the ranking algorithm.

Google quality score remains important in SEO.

As Google explains:

‘Quality Score is intended to give you a general sense of the quality of your ads. The 1–10