PRINCIPLES OF INTERNET MARKETING

Topic: Internet Marketing

- E-Marketing vs. marketing
- Internet demographics
- Advantages
- New contagions of information
- Impact on Product Mix
- New innovation paradigm

First A Few Facts

- E-Marketing ≠ sales

- Marketing plan ≠ e-Marketing plan

- Most organizations have no:
  - Marketing strategy
  - Marketing plan
  - e-Marketing plan
  - Brand advocacy strategy

- Good news: The Internet keeps on growing
- Bad news: Getting harder to be found
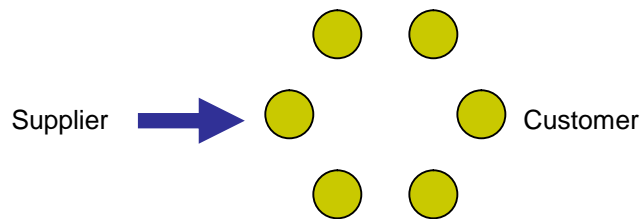
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Baseline Definition of e-Marketing

"…identifying, understanding, collaboratively creating, and meeting a segment of human and social needs, wants, desires, wishes digitally."

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Customer Integrated Into Process

BEFORE

Supplier → Customer
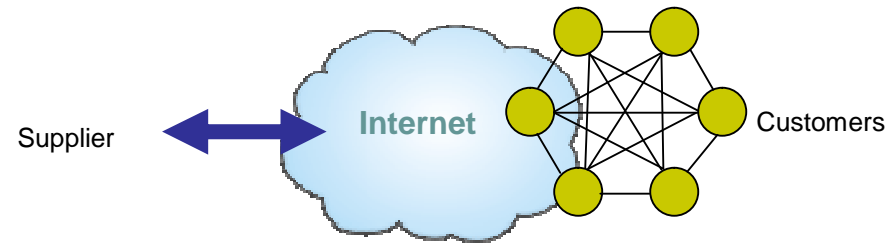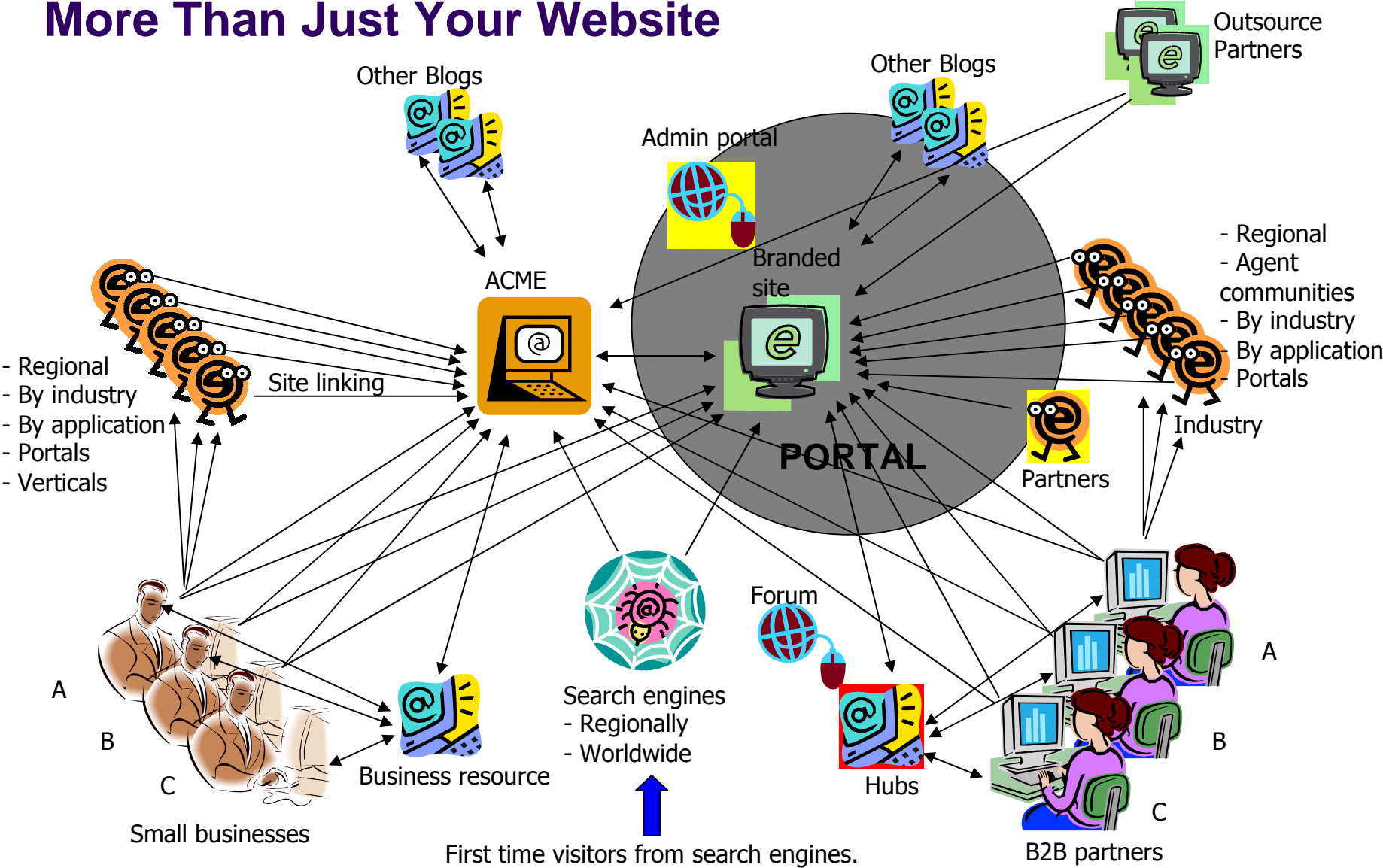
Monologue
One way
Mass communication
Static
No interaction among customers
Shotgun approach
Hard to identify customers
Hard to manage customers

AFTER

Supplier ↔ Internet Customers

Dialogue
One-to-one marketing
Real-time
Dynamic
Collaborative
Segmented
Rich customer interaction
Rich customer data

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E-Marketing:
More Than Just Your Website

Other Blogs

Other Blogs

Outsource Partners

Admin portal

ACME

Branded site

- Regional
- Agent communities
- By industry
- By application
- Portals

PORTAL

- Regional
- By industry
- By application
- Portals
- Verticals

Site linking

Partners

Industry

A

B

C

Business resource

Small businesses

Search engines
- Regionally
- Worldwide

Forum

Hubs

A

B

C

B2B partners

First time visitors from search engines.
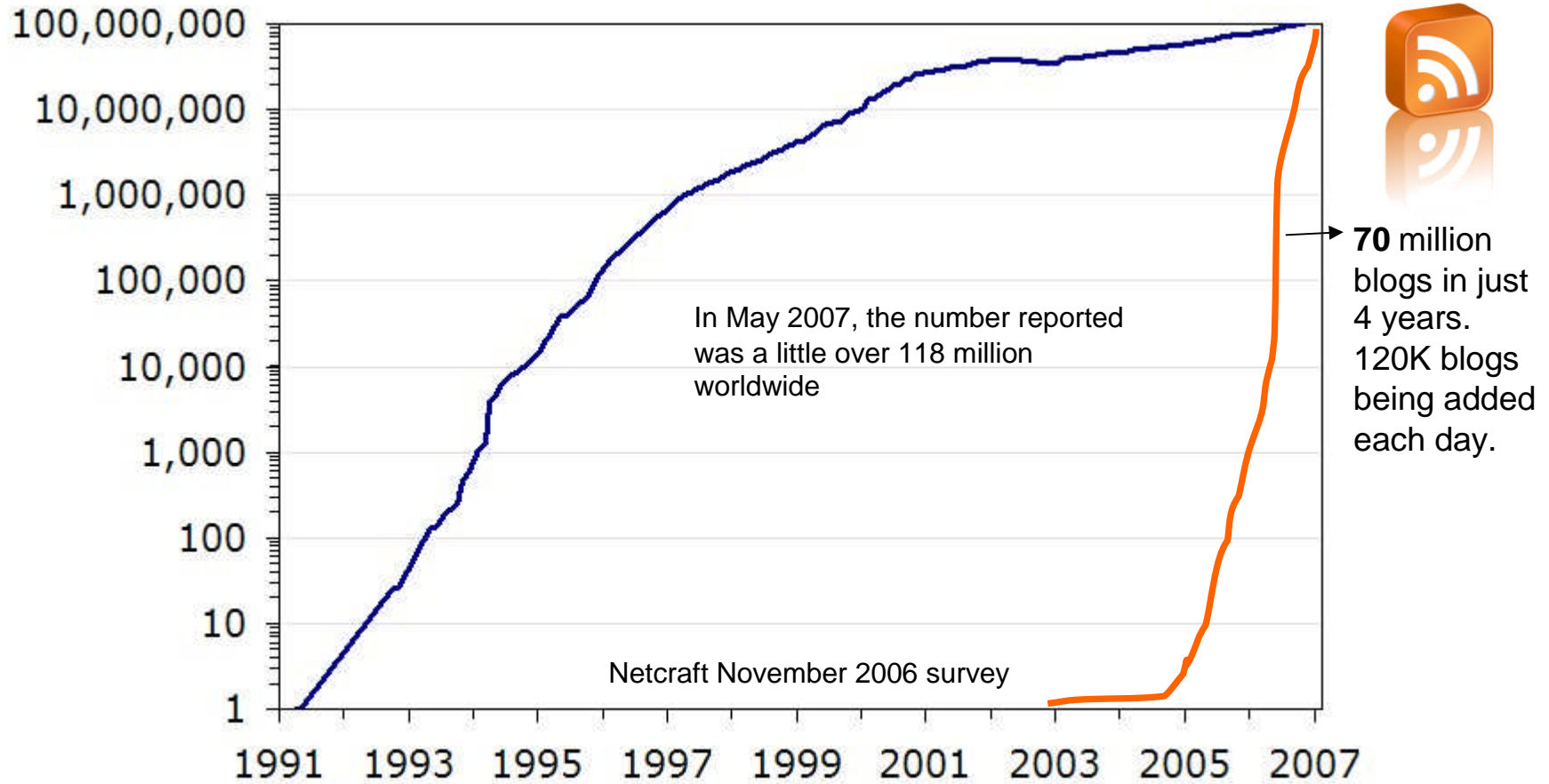
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Global Online Population

- Currently about **1.2 billion**
- Projected to grow to **1.8 billion** by 2010

WORLD INTERNET USAGE AND POPULATION STATISTICS

World Regions	Population (2007 Est.)	Population % of World	Internet Usage, Latest Data	% Population (Penetration)	Usage % of World	Usage Growth 2000-2007
Africa	933,448,292	14.2 %	33,334,800	3.6 %	3.0 %	638.4 %
Asia	3,712,527,624	56.5 %	398,709,065	10.7 %	35.8 %	248.8 %
Europe	809,624,686	12.3 %	314,792,225	38.9 %	28.3%	199.5 %
Middle East	193,452,727	2.9 %	19,424,700	10.0 %	1.7 %	491.4 %
North America	334,538,018	5.1 %	233,188,086	69.7 %	20.9%	115.7 %
Latin America/Caribbean	556,606,627	8.5 %	96,386,009	17.3 %	8.7 %	433.4 %
Oceania / Australia	34,468,443	0.5 %	18,439,541	53.5 %	1.7 %	142.0 %
WORLD TOTAL	6,574,666,417	100.0 %	1,114,274,426	16.9 %	100.0 %	208.7 %

NOTES: (1) Internet Usage and World Population Statistics were updated on Mar. 10, 2007. (2) CLICK on each world region for detailed regional information. (3) Demographic (Population) numbers are based on data contained in the world-gazetteer website. (4) Internet usage information comes from data published by Nielsen//NetRatings, by the International Telecommunications Union, by local NICs, and other other reliable sources. (5) For definitions, disclaimer, and navigation help, see the Site Surfing Guide. (6) Information from this site may be cited, giving due credit and establishing an active link back to www.internetworldstats.com. Copyright © 2007, Miniwatts Marketing Group. All rights reserved worldwide.

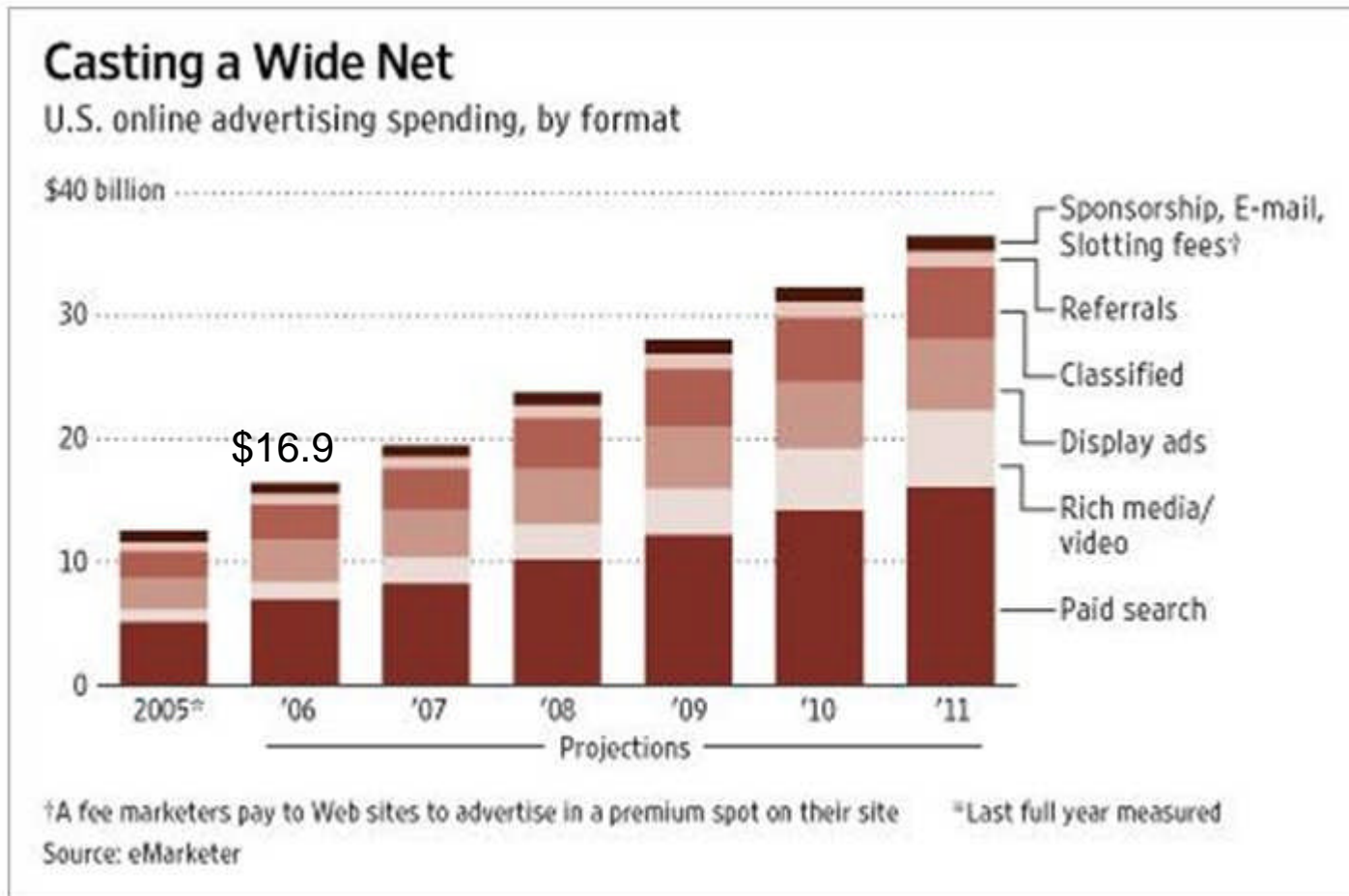NAPA CONSULTING GROUP

Websites Worldwide

The **number of Internet websites** each year since the Web's founding.

In May 2007, the number reported was a little over 118 million worldwide

Netcraft November 2006 survey

70 million blogs in just 4 years. 120K blogs being added each day.

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U.S. Online Ad Spending:
5.9% of the $285 billion total U.S. advertising market in 2006

Casting a Wide Net
U.S. online advertising spending, by format

$40 billion

30

20

$16.9

10

0

2005*   '06   '07   '08   '09   '10   '11

Projections

- Sponsorship, E-mail, Slotting fees†
- Referrals
- Classified
- Display ads
- Rich media/video
- Paid search

†A fee marketers pay to Web sites to advertise in a premium spot on their site   *Last full year measured

Source: eMarketer

Source: Wall Street Journal, May 25, 2007, pg. B1

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Advantages

- Democratization of advertising
- Reach: Collapsing barriers of time & space
- Lower risk of product / services innovation
- Lower cost / higher ROI
  - Digitization of all information
  - Virtual supply chains
  - Virtual markets
  - Virtual real-time interaction with customers & suppliers
- Scalability
- Ability to coalesce and reach increasingly fragmented markets
- Streamline business process

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Strategic Advantages

- Create new sources of competitive advantage
- More direct distribution model
- Reengineer the supply chain
- Invent new business models
- Target underserved segments
- Lower price barrier
- New delivery methods to reduce capital expenditure and pricing
- Create more efficient marketplace
- Create a "virtuous cycle"

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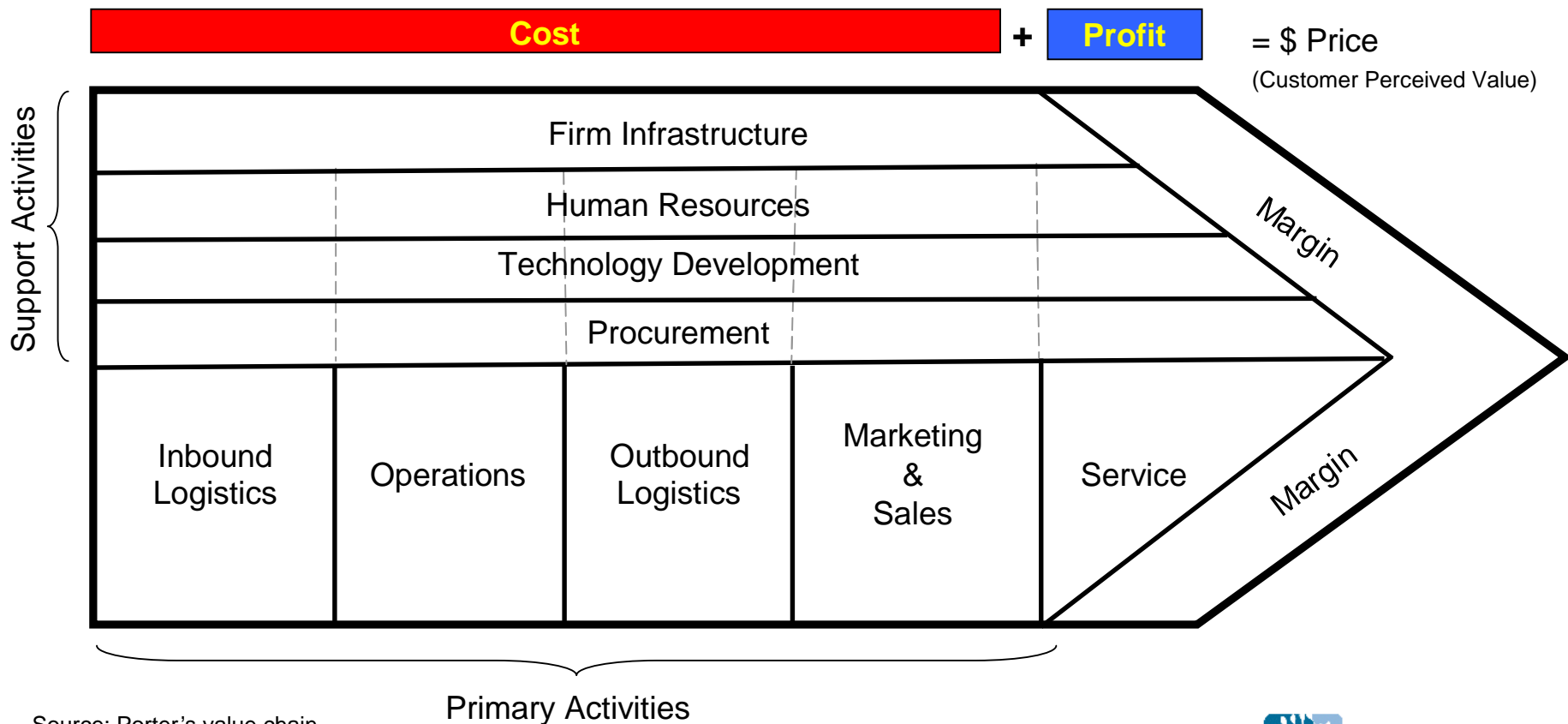# Benefit of Creating A "Virtuous Cycle"

- Reduce the risk of guessing by letting the community define the need, want, problem, and value proposition

- Speed development cycles

- Create precise features / value

- Create brand advocates

- Community endorsement
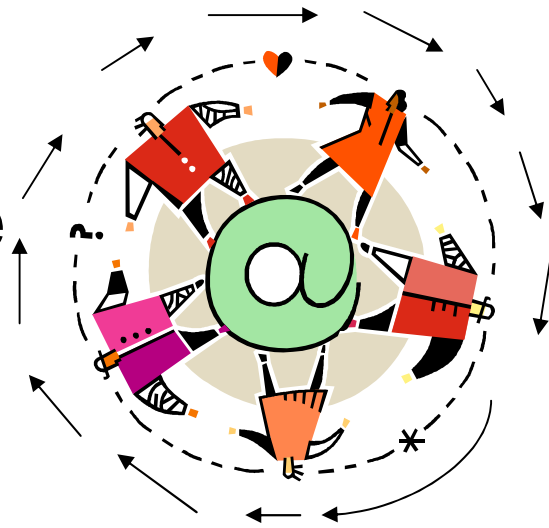
Community and feedback loop integral part of shaping product

Recognize Elements of Value Creation:
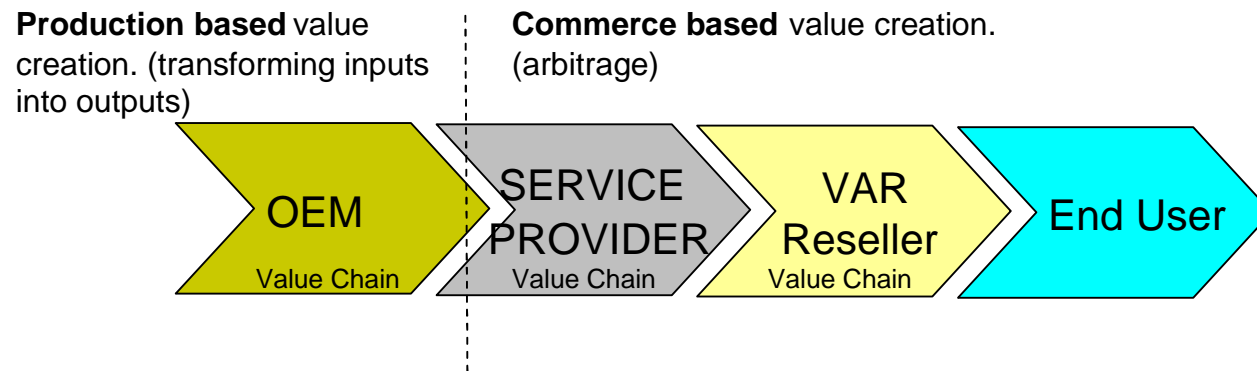## Generic Value Chain

Visual representation of what organizations do to create value. Margin is the difference between Customer Perceived Value (CPV) and cost. The primary and second activities attribute to cost.

Source: Porter's value chain

Traditional Industry Supply Chain

Look to bypass intermediaries.

Production based value creation. (transforming inputs into outputs)

Commerce based value creation. (arbitrage)

OEM
Value Chain

SERVICE PROVIDER
Value Chain

VAR Reseller
Value Chain

End User

Typical Service Provider Supply Chain

Each entity looks very little beyond the next partner in the food chain. Incremental value added.

Rearrange Your Supply Chain:
Create More Strategic & Symbiotic B2B Relationships

Build more strategic & symbiotic value chain.

OEM
Value Chain

Service Provider
Value Chain

VAR Reseller
Value Chain

G O A L

End User
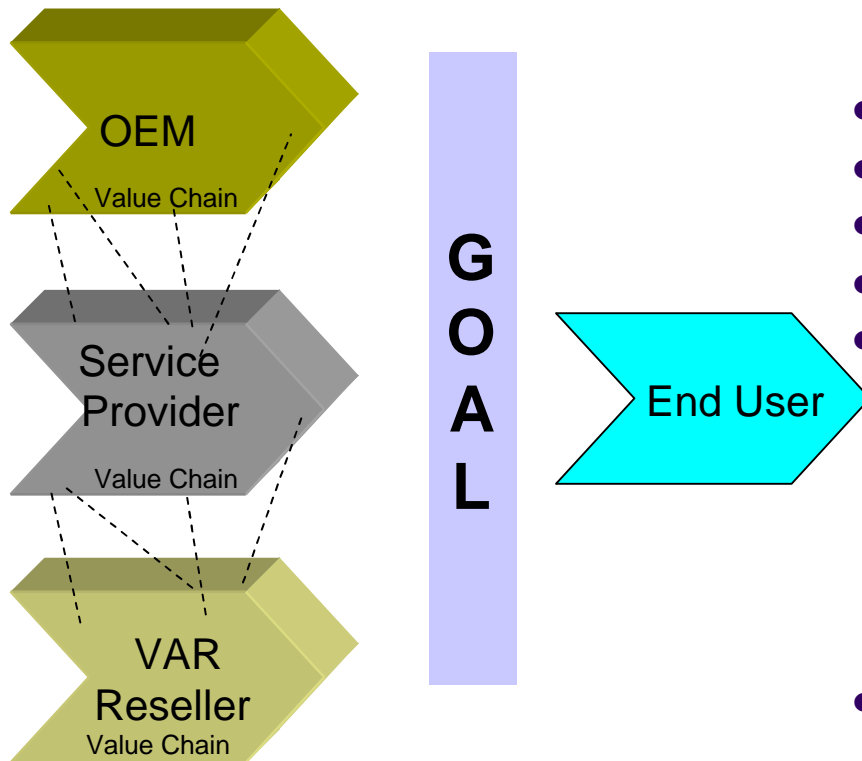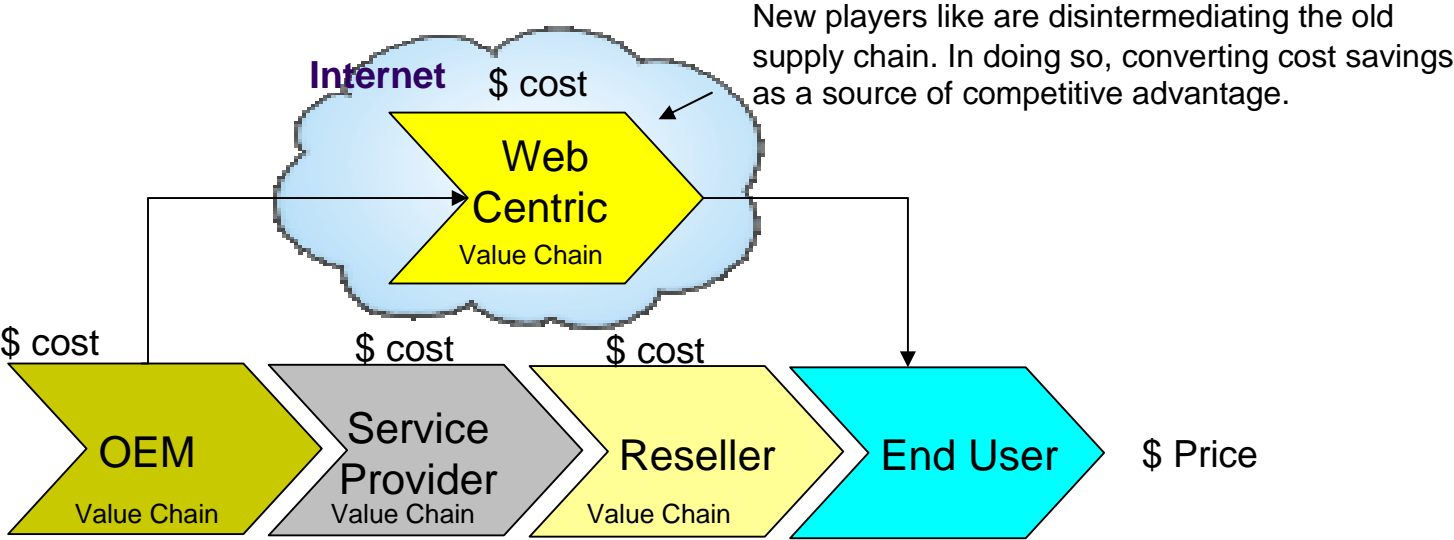
Reduce duplicity
Reduce costs
Leverage resources
Increase value

- Think in terms of solving the common objectives, interests, and obstacles.
- Pursue common challenges.
- Pursue common goals.
- Remove common obstacles.
- Achieve collective profitability
- How?
  - By removing inefficiencies and duplicity of efforts in each discrete value chain.
  - Collaborate together to link strategies, validate new applications, how to market them, how to price them, and how to launch them,
- The basic principle is to leverage, link, and coordinate resources at a strategic level towards achieving the same fundamental goals.

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Disintermediate

Look for new ways to disintermediate the supply chain.

New players like are disintermediating the old supply chain. In doing so, converting cost savings as a source of competitive advantage.

Internet $ cost

Web Centric
Value Chain

$ cost
OEM
Value Chain

$ cost
Service Provider
Value Chain

$ cost
Reseller
Value Chain

End User

$ Price

Leverage business models or disintermediate to capture sources of competitive advantage.
ASP, On Demand, or B2B relationships to capture cost savings and revenue sharing.
Every step along the way (middleman or channel) is a cost point. Each step that can be optimized means a cost savings that can contribute to more competitive offering.

Baseline Guidelines

- Create an E-marketing plan
- Choose top level domain name early
- Choose & trademark branded domains
- Design & linkage
  - Relationship of all internal websites to target customers, industry sites, suppliers, business sites, portals, blogs
- Infrastructure: Who will host sites, applications, and associated servers
- SEO plan and strategy for your websites
- Indexing
- Real-time analytics
- Communication utilities
  - E-mail, IM, real-time voice, weblogs
- E-mail list management and opt in / out best practice (CAN-SPAM ACT)
- Online advertising or "soft branding"
- E-commerce site
- Drive traffic

New Paradigm

- Sell your idea first
- Find your actors (audience) first
- Size does not matter - PlentyOfFish
- Reduce risk by pushing control out
- Value creation increases at the edge
- Decentralize authority, process, and IP
- Transparency creates value
- Truth travels fast
- Price alone is not sustainable
- Reengineer your value chain
  - Skip intermediaries wherever possible
- Reinvent your business models
- Change the status quo

Impact on Product Mix

- Product / service strategy
  - Shared risk through open collaboration
- Place (channel)
  - Actors & marketspace
  - Agents
- Pricing
  - Hypercompetitive
  - Convert traffic to advertisement revenue
- Promotion
  - Community
- Customer support
  - 24 X 7
  - Virtual
  - FAQ, forums, electronic

Old 4Ps Paradigm

Almost no feedback loop. Higher risk of innovation and guessing market.

Value Creator

Customer

Product

Place

Pricing

Promotion

4Ps

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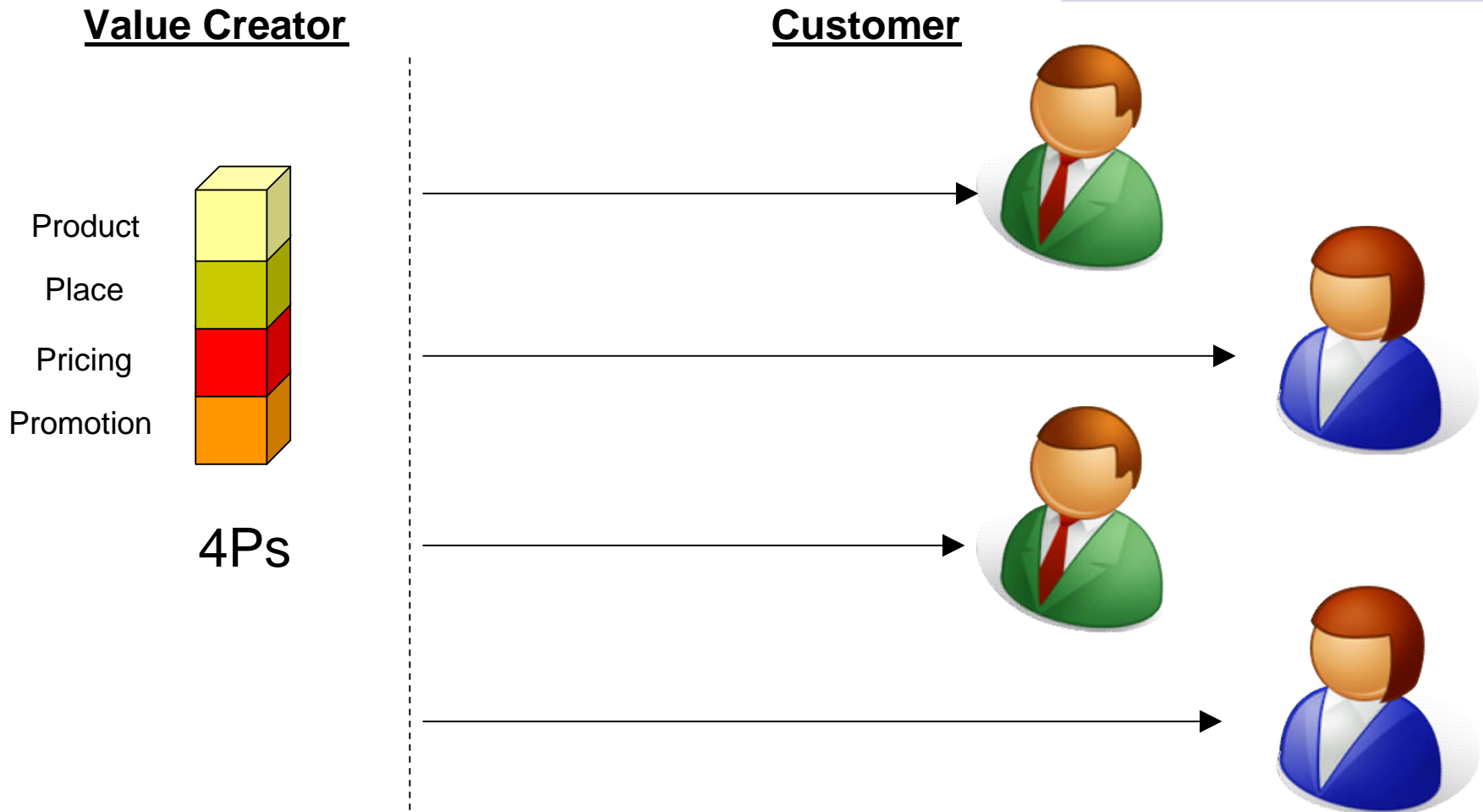
New Innovation Paradigm

- Democratization of 4Ps paradigm
  - Citizen branding
  - Collective collaboration
  - Collective risk sharing
  - Collective product innovation
  - Collective IP ownership
- Citizen marketers will sell "remarkable" ideas
- Innovators should adopt the 1% rule
  - If you don't find the "sneezers" or connectors, the 80/20% rule won't matter
- Work backwards
  - Build your brand around your idea first. If the community you are targeting does not **coalesce** and rally around the idea, continuing to build the product is irrelevant
- Create your own "blue ocean"
  - If you play it safe and go by the rules of your industry, value chain, and business model – you're dead!
  - Most industries and markets are saturated and highly concentrated.

New Paradigm:
Collaborative Open Innovation

Capturing customer interaction creates tremendous value and reduces risk.

Value Innovator

Customer

Product

Brand

Promotion

4Ps

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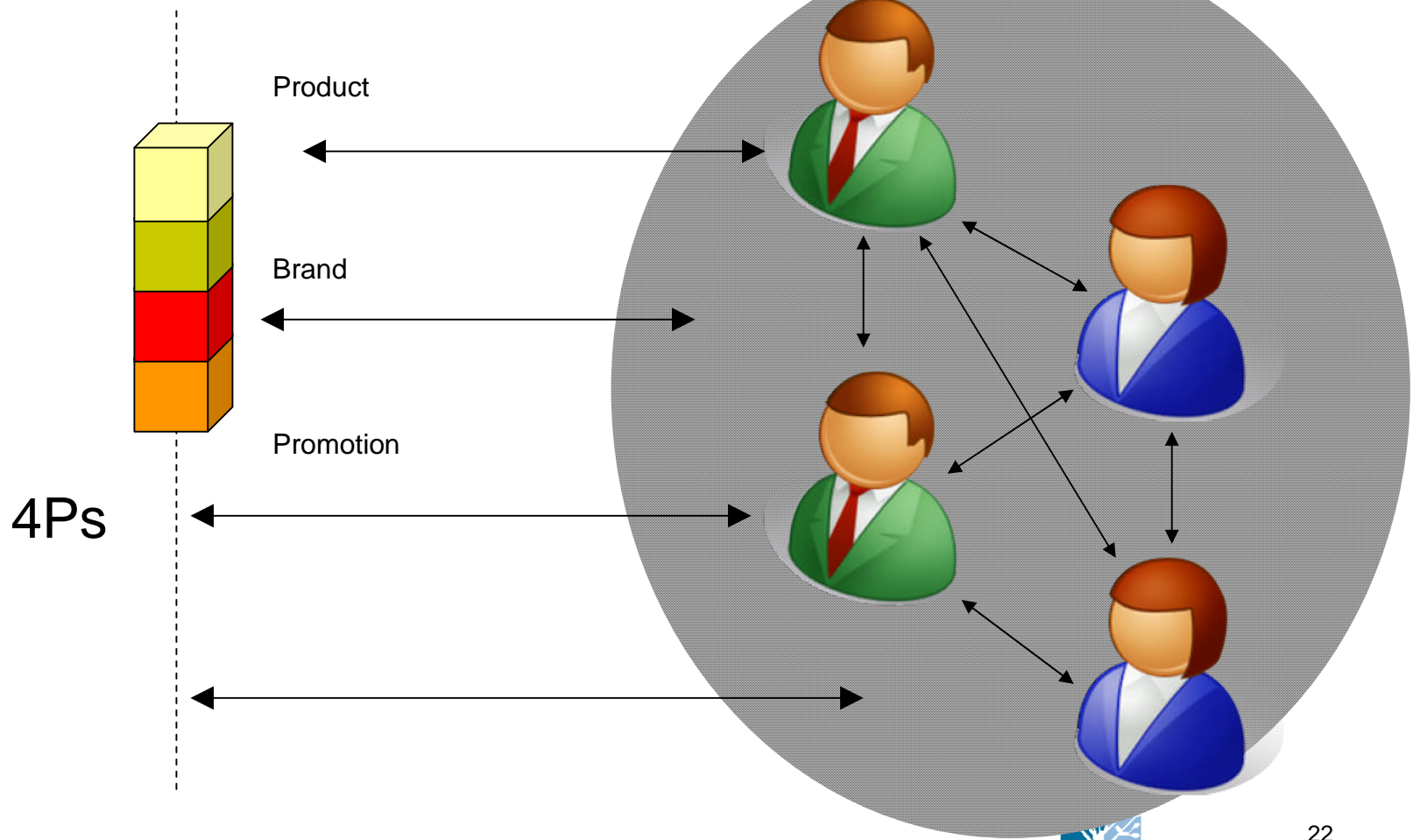
Contagions

- **New mediums for communicating information virally among your actors**

viral marketing	**WOMM**	**trackback**	**mashup**
buzz marketing	**widget**	**digg**	**delicious**
vblog	**bliget**	**tag**	**social media**
podcasting	**chicklet**	**typelist**	**social bookmarking**
contentcasting	**buzztracker**	**blogroll**	**SMO**

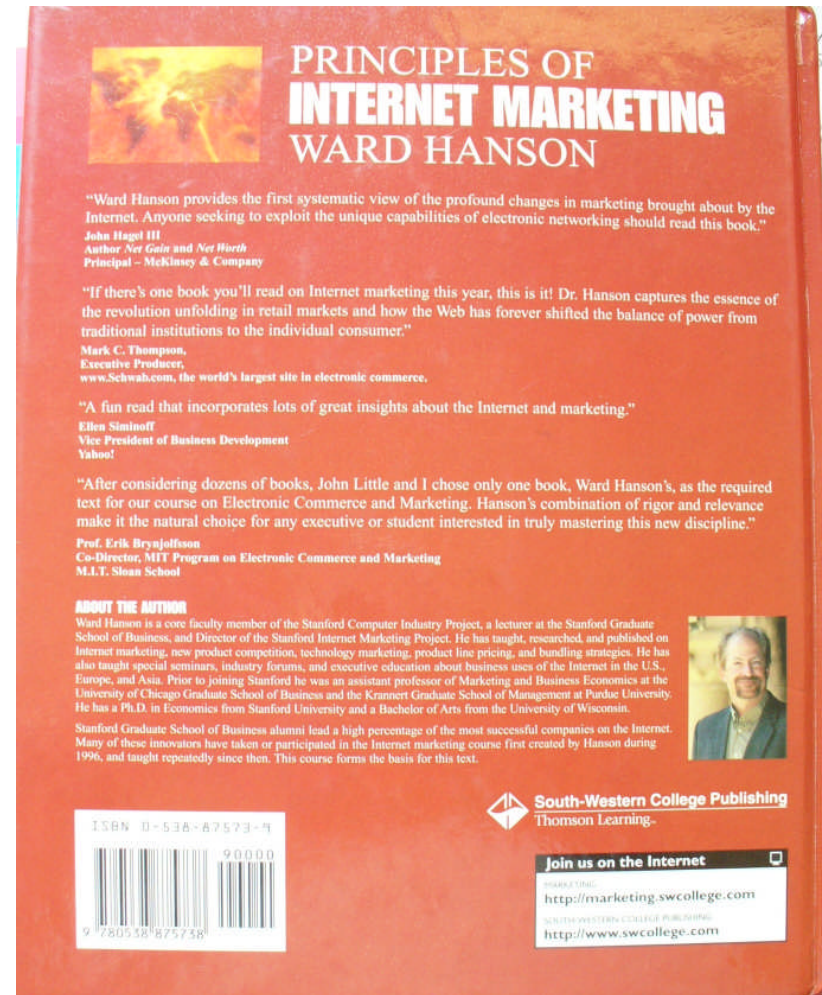# 92% PREFER WOM RECOMMENDATION

91% LIKELY TO BUY ON RECOMMENDATION

Additional Resources
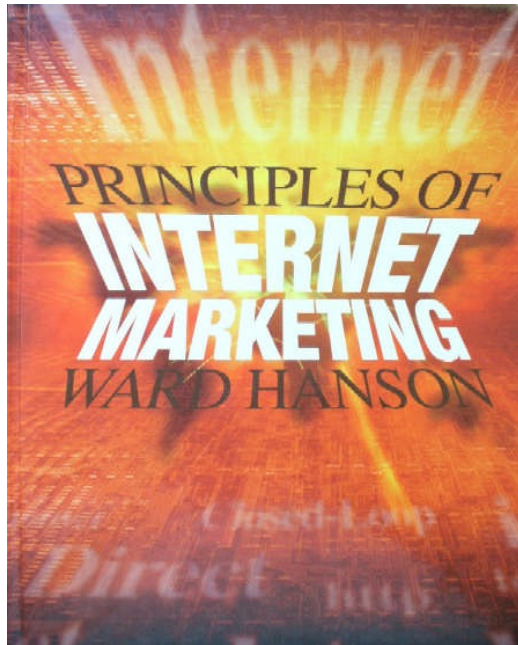
ISBN 0-538-87573-9

Applications / Hosted Services

- Hosted Blogs
  - Blogger
  - WordPress
  - Typepad
  - Movable Type
  - Yahoo 360
  - Others:
    http://www.forbes.com/bow/b2c/category.jhtml?id=311

- Forum
  - Vbulletin
  - PhPBB
  - Invision
  - SMF
  - Jive Forums

- Content Management Systems (CMS)
  - eZPublish
  - Joomla
  - WebGUI
  - Mambo
  - HotBanana

- E-commerce platforms
  - Monster Commerce Pro
  - GoEmerchant
  - OSCommerce
  - Zen Cart
  - ShopSite Pro

- E-mail Marketing
  - Constant Contact
  - Lyris
  - EmailLabs
  - JangoMail
  - ExactTarget
  - SafeUnsubscribe

- Analytics
  - Urchin
  - Google
  - FeedBurner
  - VisiStat
  - CoreMetrics

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