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Direct, Online, Social Media, and Mobile Marketing

CHAPTER PREVIEW

In the previous three chapters, you learned about engaging consumers and communicating customer value through integrated marketing communication and about four elements of the marketing communications mix: advertising, publicity, personal selling, and sales promotion. In this chapter, we examine direct marketing and its fastest-growing form: digital marketing (online, social media, and mobile marketing). Today, spurred by the surge in internet usage and buying as well as rapid advances in digital technologies—from smartphones, tablets, and other digital devices to the spate of online mobile and social media—direct marketing has undergone a dramatic transformation. As you read this chapter, remember that although direct and digital marketing are

presented as separate tools, they must be carefully integrated with each other and with other elements of the promotion and marketing mixes.

Let's start by looking at Samsung, the world's largest information technology company by revenue. The company has blossomed into one of the most powerful names in the tech industry. One of the key reasons to Samsung's success is its integrated marketing strategy, which takes advantage of surging digital opportunities for direct, up-close-and-personal interactions with customers. Samsung's digital direct marketing capability strengthens its brand advocacy and elevates its brand loyalty. The company has become a point of reference for direct and digital marketing, and continues to engage customers and create direct, personalized customer relationships.

SAMSUNG ELECTRONICS: Engaging Customers Globally via Social Media Marketing

One of the key reasons to Samsung's ongoing success is its marketing strategy, which it has greatly expanded in recent years to take advantage of the surging digital opportunities for direct, up-close-and-personal interactions with customers. Today, Samsung's digital direct marketing capability strengthens its brand advocacy and elevates its brand loyalty. Samsung's broad-based direct marketing strategy employs a wide range of cutting-edge digital tools to engage customers. All over the globe, Samsung has been successful at driving consumer behavior from awareness to consideration to purchase through its social media strategy. In Saudi Arabia, for example, it has been featured as the No. 1 buzz brand for the last three years.

Samsung's customers interact directly with the company and with each other on the company's many web- and mobile-based platforms, like Facebook, Twitter, and YouTube, placing the company at the forefront of social media marketing. Its Twitter feed, which abounds with engaging tweets and @mentions, had more than 12 million followers by the end of 2016, by far

the highest number of followers among its competitors and ahead of celebrities like Kelly Clarkson and Tom Hanks, and other global mega brands like Starbucks and Chanel. In addition, more than 42 million people "like" its Samsung Mobile Facebook page, placing the company far ahead of competition (Apple does not have an official fan page) like BlackBerry (27 million), Amazon (27 million), and Sony (24 million). Its other Facebook page, Samsung Mobile USA, assembles 25 million fans alone, which adds up to 67 million fans on Facebook for the company's mobile phone pages, catapulting the brand into the top 30 Facebook pages in the world.

Samsung has put a great deal of consideration into socially enabling its customers and brand ambassadors through its social media presence to network with others by fostering an environment of advocacy and the genuine celebration of its products and services. Moreover, Samsung successfully engages customers globally and directly via influencers and key opinion leaders. Much of Samsung's most recent social media success has been due to its efforts to launch its latest lines of Galaxy smartphones and tablets. To create awareness and

Samsung's passion for creating superb online customer experiences has made it a poster child for direct and digital marketing, and the company continues to engage customers and create direct, personalized customer relationships.

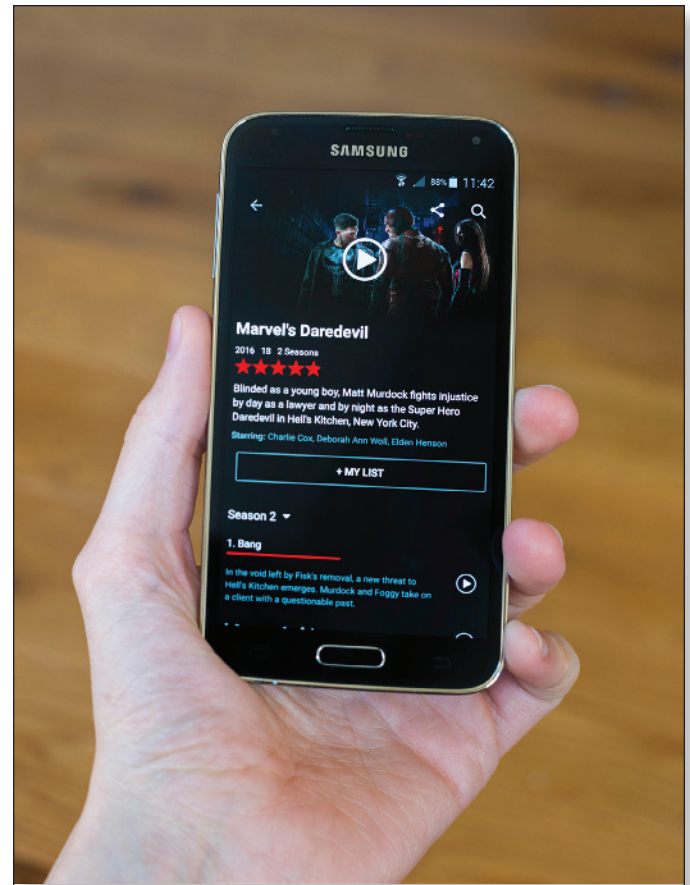
generate buzz about these new Galaxy devices, Samsung usually invites a group of influential and socially active bloggers, Twitterati, and YouTubers for hands-on sneak-peek events before the launch of any new flagship device. These events usually generate thousands of social mentions and blogs, which produce awareness about and preference for these new devices. One example is Samsung's launch of the Galaxy Note 5 in New York in 2015. For this occasion, Samsung handpicked four key creators in Asia and Australia and flew them to New York. They sent Australia's fashion blogger Nadia Fairfax; Malaysia's actor and director Joseph Germani; the Philippines' dancer, producer, and director Gabriel Valenciano; and Taiwanese producer and entertainer How How to be among the first to get their hands on the Galaxy Note 5 and explore the phablet. The result was a video shot in a marathon 24-hour period, and the resulting "Moment of Note" film showed how the content creators were able to take full advantage of the new phone in their creative pursuits. Samsung ingeniously associated the phone with experiences rather than presenting customers with a list of new specifications.

Additionally, the "Samsung Mobilers program" is used by the company as another tool to enhance brand awareness and engage customers. Samsung Mobilers is an ambassadors' program where active Samsung mobile loyalists are provided with Samsung devices ahead of market release so they can freely talk about their user experience and provide their feedback and insights on the assigned devices using their own social media accounts. Mobilers are often offered the opportunity to participate in marketing events across the world, such as the IFA conference in Berlin, which is the world's leading trade show for consumer electronics and home appliances. As a result, Samsung managed to account for 26.7 percent of the share of voice during IFA2014. Products from Samsung such as the Galaxy Note 5, Gear VR, and the Galaxy Note Edge secured Samsung's first place and were very well received among media and the larger public.

The Smartphone app is also fueling Samsung's success in the digital marketing arena, bringing customers support on the go with seamless navigation for online support and service tracking information for products. Customers can find FAQs, videos, and easy-to-follow self-diagnosis guides. The app is designed to keep customers connected with Samsung.

Samsung's video homepage on YouTube provides another platform to engage customers. It gives them easy and tailored access to all videos for every Samsung product and marketing campaign, which helps the electronics giant showcase its range of phones and tablets, demonstrating that it can cater to all tastes in an attractive way. Overall, Samsung's use of video is engaging, comprehensive, and easily accessible. In 2013, Samsung won Unruly's "Social Brand of the Year" with 7.3 million shares. In 2014, the company came in second place with 4.3 million shares gained by several videos, mainly coinciding with the FIFA World Cup, including "#Galaxy11: The Training" (538,262 shares).

Of course, Samsung also utilizes its websites to connect with their customers. Customers can use the company



Samsung socially enables its customers and brand ambassadors through its social media presence to network with others by fostering advocacy and celebration of its products and services.

JHPhoto/Alamy Stock Photo

website not only for product information but also to engage with Samsung by accessing several online services, including live chats, how-to videos, help and troubleshooting, product warranty information, and service repair status updates.

Finally, Samsung makes use of web and mobile email as an effective tool for building long-term, one-to-one relationships with carefully targeted customers. Samsung successfully tailors emails—their design, messages, and offers—to the characteristics and needs of specific customers. Through its huge database, Samsung can send tailored messages to customers who just purchased a Samsung device or to people who are likely to purchase a Samsung device in the near future.

In all, Samsung Electronics has successfully used new digital tools and approaches to enhance customer relationships and build a competitive edge. In 2015, according to a recent report from the Reputation Institute, an advisory firm, Samsung was reported the tech industry's most reputable company. Apple, the most valuable company by market capitalization and Samsung's biggest competitor, ranked 21st among its 48 tech brethren. Samsung Electronics has become a poster child for direct and digital marketing and continues to engage customers and create direct, personalized customer relationships.¹

OBJECTIVES OUTLINE

OBJECTIVE 17-1	Define <i>direct and digital marketing</i> and discuss their rapid growth and benefits to customers and companies. <i>Direct and Digital Marketing</i> (pp 512–514)
OBJECTIVE 17-2	Identify and discuss the major forms of direct and digital marketing. <i>Forms of Direct and Digital Marketing</i> (pp 514–515)
OBJECTIVE 17-3	Explain how companies have responded to the internet and the digital age with various online marketing strategies. <i>Marketing, the Internet, and the Digital Age</i> (pp 515–521)
OBJECTIVE 17-4	Discuss how companies use social media and mobile marketing to engage consumers and create brand community. <i>Social Media and Mobile Marketing</i> (pp 521–521)
OBJECTIVE 17-5	Identify and discuss the traditional direct marketing forms and overview public policy and ethical issues presented by direct marketing. <i>Traditional Direct Marketing Forms</i> (pp 528–534)

MANY OF THE MARKETING and promotion tools that we've examined in previous chapters were developed in the context of *mass marketing*: targeting broad markets with standardized messages and offers distributed through intermediaries. Today, however, with the trend toward narrower targeting and the surge in digital and social media technologies, many companies are adopting *direct marketing*, either as a primary marketing approach or as a supplement to other approaches. In this section, we explore the exploding world of direct marketing and its fastest-growing form—digital marketing using online, social media, and mobile marketing channels.

Author Comment For most companies, direct and digital marketing are supplemental channels or media. But for many other companies today—such as Amazon, GEICO, or Priceline—direct marketing is a complete way of doing business.

Direct and digital marketing

Engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships.

Direct and Digital Marketing

Direct and digital marketing involve engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships. Companies use direct marketing to tailor their offers and content to the needs and interests of narrowly defined segments or individual buyers. In this way, they build customer engagement, brand community, and sales.

For example, Amazon.com interacts directly with customers via its website or mobile app to help them discover and buy almost anything and everything online. Similarly, GEICO interacts directly with customers—by telephone, through its website or smartphone app, or on its Facebook, Twitter, and YouTube pages—to build individual brand relationships, give insurance quotes, sell policies, or service customer accounts.

The New Direct Marketing Model

Early direct marketers—catalog companies, direct mailers, and telemarketers—gathered customer names and sold goods mainly by mail and telephone. Today, however, spurred by the surge in internet usage and buying and by rapid advances

in digital technologies—from smartphones, tablets, and other digital devices to the spate of online social and mobile media—direct marketing has undergone a dramatic transformation.

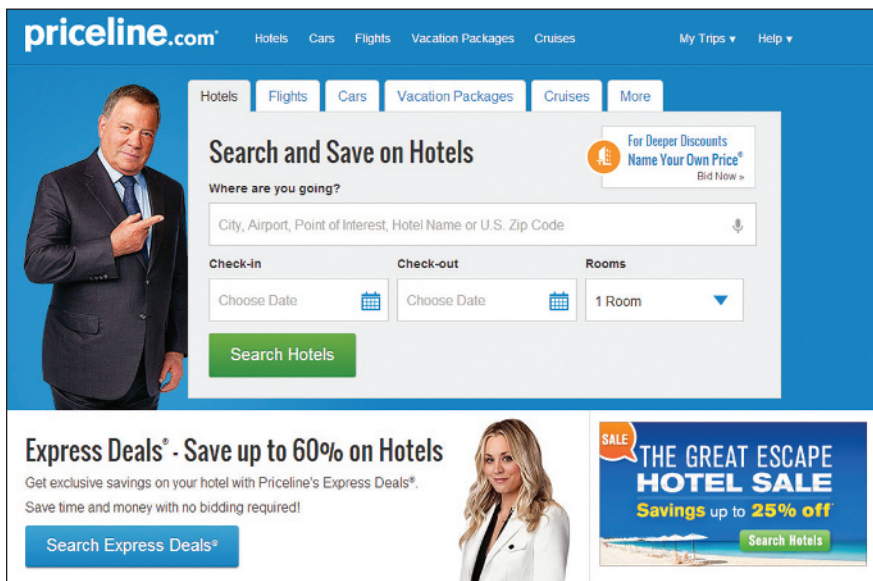
In previous chapters, we discussed direct marketing as direct distribution—as marketing channels that contain no intermediaries. We also included direct and digital marketing elements of the promotion mix—as an approach for engaging consumers directly and creating brand community. In actuality, direct marketing is both of these things and much more.

Most companies still use direct marketing as a supplementary channel or medium. Thus, most department stores, such as Sears or Macy's, sell the majority of their merchandise off their store shelves, but they also sell through direct mail, online catalogs, and social media pages. Pepsi's Mountain Dew brand markets heavily through mass-media advertising and its retail partners' channels. However, it also supplements these channels with a heavy dose of direct marketing. Mountain Dew's marketing mix consists of 55 percent television advertising and 45 percent digital. It uses its several brand websites and a long list of social media to engage its digitally connected customer community in everything from designing their own Mountain Dew lifestyle pages

to deciding which limited-edition flavors should be launched or retired. Through such direct interactions, Mountain Dew has created one of the most passionately loyal fan bases of any brand, which in turn has made it the nation's fourth-largest soft drink brand.²

However, for many companies today, direct and digital marketing are more than just supplementary channels or advertising media—they constitute a complete model for doing business. Firms employing this direct model use it as the only approach. Companies such as Amazon, Google, Facebook, eBay, Netflix, GEICO, and Priceline.com have successfully built their entire approach to the marketplace around direct and digital marketing.

● For example, Priceline.com, the online travel company, sells its services exclusively through online, mobile, and social media channels. Priceline.com and other online travel agency competitors such as Expedia and Orbitz have pretty much driven traditional offline travel agencies to extinction.³



● The new direct marketing model: Online travel agency Priceline.com sells its services exclusively through online, mobile, and social media channels. Along with other online competitors, Priceline.com has pretty much driven traditional offline travel agencies to extinction.

priceline.com

Rapid Growth of Direct and Digital Marketing

Direct and digital marketing have become the fastest-growing form of marketing. According to one source, U.S. companies will spend an estimated \$163 billion on direct and digital marketing this year, up more than 6 percent over the previous year. Direct marketing continues to become more internet-based, and digital direct marketing is claiming a surging share of marketing spending and sales. For example, U.S. marketers will spend an estimated \$60 billion on digital advertising last year, up 20 percent over the previous year. Total digital advertising spending—including online display and search advertising, social media, mobile, video, email, and other—now accounts for the largest share of media spending, overtaking even television spending. And as consumers spend more and more time on their tablets and smartphones, ad spending on mobile advertising is exploding. Last year alone, mobile ad spending grew by 66 percent, and by 2019 it will account for an expected 29 percent of total U.S. ad spending.⁴

Benefits of Direct and Digital Marketing to Buyers and Sellers

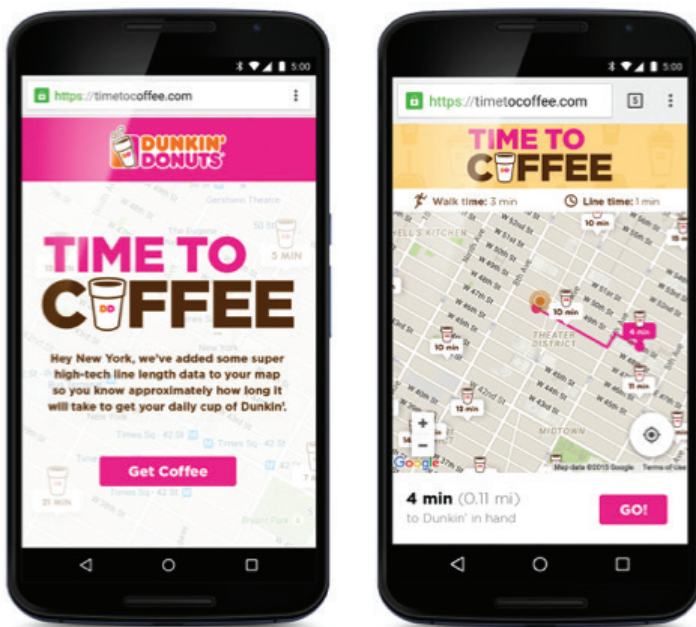
For buyers, direct and digital marketing are convenient, easy, and private. They give buyers anywhere, anytime access to an almost unlimited assortment of goods and a wealth of product and buying information. For example, on its website and mobile app, Amazon.com offers more information than most of us can digest, ranging from top 10 product lists, extensive product descriptions, and expert and user product reviews to recommendations based on customers' previous searches and purchases.

Through direct marketing, buyers can interact with sellers by phone or on the seller's website or mobile app to create exactly the configuration of information, products, or services they want and then order them on the spot. Finally, for consumers who want it, digital marketing through online, mobile, and social media provides a sense of brand engagement and community—a place to share brand information and experiences with other brand fans.

For sellers, direct marketing often provides a low-cost, efficient, speedy alternative for reaching their markets. Today's direct marketers can target small groups or individual customers. Because of the one-to-one nature of direct marketing, companies can interact with customers by phone or online, learn more about their needs, and personalize products and services to specific customer tastes. In turn, customers can ask questions and volunteer feedback.

Direct and digital marketing also offer sellers greater flexibility. They let marketers make ongoing adjustments to prices and programs or to create immediate, timely, and personal engagement and offers. For example, home-improvement retailer Lowe's issues timely stop-motion Vine "Fix in Six" videos showing seasonal do-it-yourself tips for anything from keeping squirrels away from a spring vegetable garden to storing Christmas lights after the holidays.

Especially in today's digital environment, direct marketing provides opportunities for *real-time marketing* that links brands to important moments and trending events in customers' lives. It is a powerful tool for moving customers through the buying process and for building customer engagement, community, and personalized relationships. For example, in some locations, Dunkin' Donuts engages people who search "coffee near me" on their phones using Google Maps or Google Search with mobile ads that say, "Find the fastest coffee." Clicking on the ad brings up a map and wait times at nearby Dunkin' Donuts locations. And brands ranging from Chipotle or Starbucks to the Red Cross use Twitter to communicate with consumers in real time about important promotions, events, and other news and announcements.



Direct and digital marketing lets brands create immediate and timely customer engagement, as when Dunkin' Donuts beams maps and wait times for nearby locations to people who search "coffee near me" on their phones.

Courtesy of Dunkin' Donuts

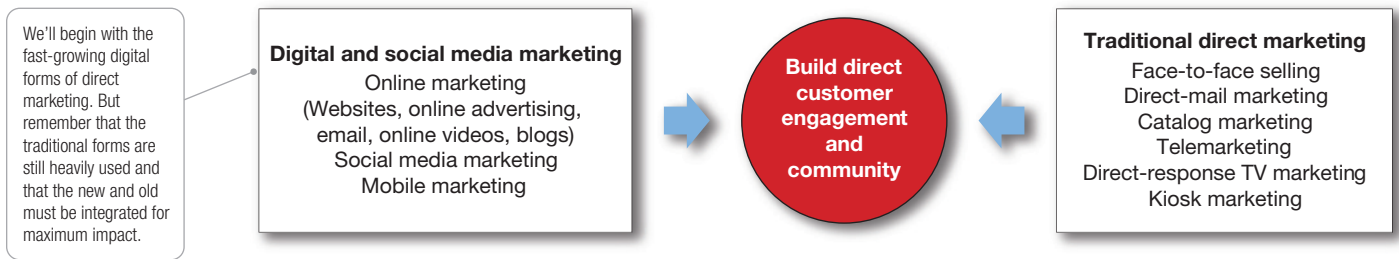
Author Comment | Direct marketing is rich in tools, from traditional favorites such as direct mail and catalogs to dazzling new digital tools—online, mobile, and social media.

Forms of Direct and Digital Marketing

The major forms of direct and digital marketing are shown in **Figure 17.1**. Traditional direct marketing tools include face-to-face selling, direct-mail marketing, catalog marketing, telemarketing, direct-response television marketing, and kiosk marketing. In recent years, however, a dazzling new set of digital direct marketing tools has burst onto the marketing scene, including online marketing (websites, online ads and promotions, email, online videos, and blogs), social media marketing, and mobile marketing.

We'll begin by examining the new direct digital and social media marketing tools that have received so much attention lately. Then we'll look at the still heavily used and very important traditional direct marketing tools. As always, however, it's important to remember that all of these tools—both the new digital and the more traditional forms—must be blended into a fully integrated marketing communications program.

FIGURE | 17.1
Forms of Direct and Digital Marketing



As noted earlier, **digital and social media marketing** is the fastest-growing form of direct marketing. It uses digital marketing tools such as websites, online video, email, blogs, social media, mobile ads and apps, and other digital platforms to directly engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices. The widespread use of the internet and digital technologies is having a dramatic impact on both buyers and the marketers who serve them.

Author Comment Direct digital and social media marketing is surging and grabbing all the headlines these days, so we'll start with it. But the traditional direct marketing tools are still heavily used. We'll dig into them later in the chapter.

Marketing, the Internet, and the Digital Age

Much of the world's business today is carried out over digital networks that connect people and companies. These days, people connect digitally with information, brands, and each other at almost any time and from almost anywhere. In the age of the "Internet of Things" (IoT), it seems that everything and everyone will soon be connected digitally to everything and everyone else. The digital age has fundamentally changed customers' notions of convenience, speed, price, product information, service, and brand interactions. As a result, it has given marketers a whole new way to create customer value, engage customers, and build customer relationships.

Digital usage and impact continues to grow steadily. More than 87 percent of all U.S. adults use the internet, and the average U.S. internet user spends almost six hours a day using digital media, primarily via mobile devices. Worldwide, more than 46 percent of the population has internet access. And 30 percent has access to the mobile internet, a number that's expected to double by 2020 as mobile becomes an ever-more-popular way to get online.⁵

As a result, more than half of all U.S. households now regularly shop online, and digital buying continues to grow at a healthy double-digit rate. U.S. online retail sales were an estimated \$350 billion last year, about 7.1 percent of total retail sales. By 2020, as consumers continue to shift their spending from physical to digital stores, that number is expected to grow to more than \$520 billion (8.9 percent of total retail sales). Perhaps even more important, it's estimated that more than half of all U.S. retail sales were either transacted directly online or influenced by internet research.⁶ As today's omni-channel consumers become more and more adept at blending online and in-store shopping, digital channels will come into play for an ever-larger proportion of their purchases.

To reach this burgeoning market, most companies now market online. Some companies operate *only* online. They include a wide array of firms, from *e-tailers* such as Amazon, Overstock.com, and Expedia.com that sell products and services directly to final buyers via the internet to *search engines and portals* (such as Google, Bing, Yahoo!, and DuckDuckGo), *transaction sites* (eBay, Craigslist), *content sites* (the *New York Times* on the web, ESPN.com, and *Encyclopedia Britannica*), and *online social media* (Facebook, Twitter, YouTube, Instagram, and Snapchat).

Today, however, it's hard to find a company that doesn't have a substantial online presence. Even companies that have traditionally operated offline have now created their own online sales, marketing, and brand community channels. Traditional store retailers are reaping increasingly larger proportions of their sales online. For example, Macy's is now the world's seventh-largest e-tailer, with almost 20 percent of its revenues coming from

Digital and social media marketing

Using digital marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs that engage consumers anywhere, anytime via their digital devices.

Omni-channel retailing

Creating a seamless cross-channel buying experience that integrates in-store, online, and mobile shopping.



● **Omni-channel retailing:** Home Depot's goal is to provide "a seamless and frictionless experience no matter where our customers shop, be it in the digital world, our brick and mortar stores, at home, or on the job site. Anywhere the customer is, we need to be there."

THE HOME DEPOT name and logo are trademarks of Home Depot Product Authority, LLC, used under license.

online. Staples captures about 22 percent of its sales online; at Williams-Sonoma, it's more than 50 percent.⁷

In fact, **omni-channel retailing** companies are having as much online success as their online-only competitors. U.S. home-improvement retailer Home Depot has more than 2,200 stores, including 182 in Canada, selling everything a do-it-yourself home renovator might need.

While sheets of plywood and nails are hardly items you might imagine a company selling online, online sales are Home Depot's hottest growth area, growing at a rate of nearly 40 percent annually over the past 5 years. ● Home Depot is now one of the world's top 10 online merchants, with an

online inventory exceeding 1 million products, compared with the 40,000 or so products available in a typical Home Depot store.⁸

The home-improvement retailer offers multiple contact points and delivery modes. Customers can buy products off the shelf in any Home Depot store or can buy products online from the virtual shelves of Home Depot's website. Products ordered online can still be delivered, but more than 40 percent of online orders are now picked up in store.

Retailers around the world are recognizing that customers are changing how they shop. Australia's major department store Myer and major clothing retailer Sportscraft offer their customers the option of purchasing products in-store or online with traditional postal delivery. Both retailers also offer a "click and collect" option, whereby customers can select products off each retailers' virtual shelves and then check to see if they are available at a retail outlet of their choosing, anywhere in Australia. If their product selection is available, transactions are completed online and products are ready for collection at the selected outlet at a time of the customer's convenience, saving customers additional delivery charges. Products not available at local retail outlets can, of course, still be home delivered. Australian consumers can even click and collect their groceries, including fresh produce and frozen foods, by placing their orders online at Australia's two major supermarkets, Woolworth's and Coles, for pick-up later, effectively having their own personal grocery shopper!

Direct digital and social media marketing takes any of the several forms shown in Figure 17.1. These forms include online marketing, social media marketing, and mobile marketing. We discuss each in turn, starting with online marketing.

Online Marketing

Online marketing refers to marketing via the internet using company websites, online advertising and promotions, email marketing, online video, and blogs. Social media and mobile marketing also take place online and must be closely coordinated with other forms of digital marketing. However, because of their special characteristics, we discuss the fast-growing social media and mobile marketing approaches in separate sections.

Websites and Branded Web Communities

For most companies, the first step in conducting online marketing is to create a website. Websites vary greatly in purpose and content. Some websites are primarily **marketing websites**, designed to engage customers and move them closer to a direct purchase or other marketing outcome.

For example, car companies like Hyundai operate marketing websites. Once a potential customer clicks in to Hyundai's site, the carmaker wastes no time trying to turn the inquiry into a sale and then into a long-term relationship. The site opens with a promotional message, then offers a garage full of useful information and interactive selling features, including detailed descriptions of current Hyundai models, tools for designing your own Hyundai, an area to calculate the trade-in value of your current car, information on dealer locations and services, and even a place to request a quote online. Inventory search and schedule a test drive features encourage customers to take the plunge and visit a Hyundai dealership.

In contrast, **brand community websites** do much more than just sell products. Instead, their primary purpose is to present brand content that engages consumers and creates customer-brand community. Such sites typically offer a rich variety of brand information, videos, blogs, activities, and other features that build closer customer relationships and generate engagement with and between the brand and its customers. For example, at Sephora's Beauty Talk site, visitors can interact with like-minded people to explore and

Online marketing

Marketing via the internet using company websites, online ads and promotions, email, online video, and blogs.

Marketing website

A website that engages consumers to move them closer to a direct purchase or other marketing outcome.

Brand community website

A website that presents brand content that engages consumers and creates customer community around a brand.



● **Brand community websites:** You can't buy anything at ESPN.com. Instead, the site creates a vast branded sports community.

© NetPhotos / Alamy

discover beauty products, post photo and links, and ask other members to weigh in with information and advice ("all the things marketers dreamed would happen on Facebook, but didn't," notes one observer). ● And you can't buy anything at ESPN.com. Instead, the site creates a vast branded sports community.⁹

At ESPN.com, sports fans can access an almost overwhelming repository of sports information, statistics, and game updates. They can customize site content by sport, team, players, and authors to match their own special sports interests and team preferences. The site engages fans in contests and fantasy games (everything from fantasy football, baseball, basketball, and hockey to poker). Sports fans from around the world can participate in discussions with other fans and celebrities before, during, and after sporting events. They can friend and message other users and post comments on message boards and blogs. By downloading various widgets and apps, fans can customize their ESPN experience and carry it with them wherever they go. In all, ESPN's website creates a virtual brand community without walls, a must-have experience that keeps fans coming back again and again.

Creating a website is one thing; getting people to *visit* the site is another. To attract visitors, companies aggressively promote their websites in offline print and broadcast advertising and through ads and links on other sites. But today's web users are quick to abandon any website that doesn't measure up. The key is to create enough engaging and valued content to get consumers to come to the site, stick around, and come back again.

At the very least, a website should be easy to use and visually appealing. Ultimately, however, websites must also be *useful*. When it comes to online browsing and shopping, most people prefer substance over style and function over flash. For example, ESPN's site isn't all that flashy, and it's pretty heavily packed and congested. But it connects customers quickly and effectively to all the sports information and involvement they are seeking. Thus, effective websites contain deep and useful information, interactive tools that help find and evaluate content of interest, links to other related sites, changing promotional offers, and entertaining features that lend relevant excitement.

Online Advertising

As consumers spend more and more time online, companies are shifting more of their marketing dollars to **online advertising** to build brand sales or attract visitors to their internet, mobile, and social media sites.

Online advertising has become a major promotional medium. The main forms of online advertising are display ads and search-related ads. Together, display and search-related ads account for the largest portion of firms' digital marketing budgets.

Online display ads might appear anywhere on an internet user's screen and are often related to the information being viewed. Such display ads have come a long way in recent years in terms of engaging consumers and moving them along the path to purchase. Today's *rich media* ads incorporate animation, video, sound, and interactivity. ● For example, while browsing sports-related content on your laptop, tablet, or phone, you might see a bright blue and green banner ad for Gillette Fusion PROGLIDE razors floating at the bottom of the page, with the provocative headline "Our Gentlest Shave." A click on the banner

Online advertising

Advertising that appears while consumers are browsing online, including display ads, search-related ads, online classifieds, and other forms.



● **Online display advertising:** Today's dynamic rich media ads incorporate animation, video, sound, and interactivity, engaging consumers and moving them along the path to purchase.

The Procter & Gamble Company

Email marketing

Sending highly targeted, highly personalized, relationship-building marketing messages via email.

expands it into a full interactive display ad, complete with an embedded 15-second demonstration video plus click-throughs to the Gillette Fusion PROGLIDE microsite and a buy-now link. Similarly, while perusing your favorite backpacking site, you might see an attention-grabbing video ad from The North Face. Roll over the brand logo and up pops an interactive ad panel, with the video continuing in the upper-right corner alongside information on featured products and real-time links to The North Face website and a store locator. Such dynamic ads can engage consumers and deliver substantial impact.¹⁰

Using *search-related ads* (or *contextual advertising*), text- and image-based ads and links appear atop or alongside search engine results on sites such as Google, Yahoo!, and Bing. For example, search Google for “LED TVs.” At the top and side of the resulting search list, you’ll see inconspicuous ads for 10 or more advertisers, ranging from Samsung and Panasonic to Best Buy, Amazon.com, Walmart.com, Crutchfield, and CDW. Almost 90 percent of Google’s \$74.5 billion in revenues last year came from ad sales. Search is an always-on kind of medium, and the results are easily measured.¹¹

A search advertiser buys search terms from the search site and pays only if consumers click through to its site. For instance, enter “Coke” or “Coca-Cola” or even just “soft drinks” or “rewards” into your search engine and almost without fail “My Coke Rewards” comes up as one of the top options, perhaps along with a display ad and link to Coca-Cola’s official Google+ page. This is no coincidence. Coca-Cola supports its popular online loyalty program largely through search buys. The soft drink giant started first with traditional TV and print advertising but quickly learned that search was the most effective way to bring consumers to its www.mycokerewards.com web or mobile site to register. Now, any of dozens of purchased search terms will return mycokerewards.com at or near the top of the search list.

Email Marketing

Email marketing remains an important and growing digital marketing tool. “Social media is the hot new thing,” says one observer, “but email is still the king.”¹² Around the world, more than 200 million emails are sent out every minute of every day. According to one account, 72 percent of adults prefer that companies communicate with them via email, and 91 percent say they like receiving promotional emails from companies with which they do business. What’s more, email is no longer limited to PCs; 66 percent of all emails are now opened on mobile devices. Not surprisingly, 25 percent of companies in one survey say that email is their top channel in terms of return on investment.¹³

When used properly, email can be the ultimate direct marketing medium. Today’s emails are anything but the staid, text-only messages of the past. Instead, they are colorful, inviting, and interactive. Email lets marketers send highly targeted, tightly personalized, relationship-building messages. For example, toymaker Fisher-Price uses email to send timely check-ins, updates, and birthday wishes to subscribers. A mother might receive a colorful, personalized “happy birthday to your baby” email on her child’s first birthday that contains links to age-related playtime ideas, parenting tips, and product information.¹⁴

Similarly, eyewear brand Warby Parker sends a sequence of nine informational and promotional emails to home try-on customers. Each is personally addressed and keyed to steps in the trial process, from initial registration and order confirmation to offers of selection assistance and instructions for returning frames. “The magical part was feeling like Warby Parker was right there with me throughout the process,” says one customer. Warby Parker also sends cheerful after-purchase follow-up and announcement emails. For example, it sends personalized emails to customers on the first anniversary of their purchase, with the message “You’ve had your Warby Parker frames for one year now. Tell ‘em we said Happy Birthday! We hope the first 365 days have been joyful.” And just in case the customer wants “to start more traditions,” the email also includes a link to Warby Parker’s website.¹⁵



● **Email marketing:** Online eyeglass brand Warby Parker sends personalized emails to home try-on customers throughout the purchase and after-purchase process. “You’ve had your Warby Parker frames for one year now. Tell ‘em we said Happy Birthday!”

Courtesy of Warby Parker

Spam

Unsolicited, unwanted commercial email messages.

But there's a dark side to the growing use of email marketing. The explosion of **spam**—unsolicited, unwanted commercial email messages that clog up our email boxes—has produced consumer irritation and frustration. According to one source, spam now accounts for about half of the billions of emails sent worldwide each day. Workers in American businesses send and receive nearly 109 billion emails per day and spend nearly one-third of their workweek managing email.¹⁶ Email marketers walk a fine line between adding value for consumers and being intrusive and annoying.

To address these concerns, most legitimate marketers now practice *permission-based email marketing*, sending email pitches only to customers who “opt in.” Many companies use configurable email systems that let customers choose what they want to get. Amazon targets opt-in customers with a limited number of helpful “we thought you’d like to know” messages based on their expressed preferences and previous purchases. Few customers object, and many actually welcome such promotional messages. Amazon benefits through higher return rates and by avoiding alienating customers with emails they don’t want. In fact, in the recent SPAMMY awards, which each year recognize the worst email abusers but also the most liked, Amazon topped the most-popular email subscriptions list for the second year in a row.¹⁷

Online Videos

Another form of online marketing is posting digital video content on brand websites or on social media sites such as YouTube, Facebook, Vine, and others. Some videos are made specifically for the web and social media. Such videos range from “how-to” instructional videos and public relations pieces to brand promotions and brand-related entertainment. Other videos are ads that a company makes primarily for TV and other media but posts online before or after an advertising campaign to extend their reach and impact.

Good online videos can engage consumers by the tens of millions. The online video audience is soaring. Almost 75 percent of the U.S. population has viewed online videos. YouTube users now upload more than 500 hours of video every minute. Facebook alone generates 8 billion video views per day worldwide; Snapchat adds another 6 billion views.¹⁸

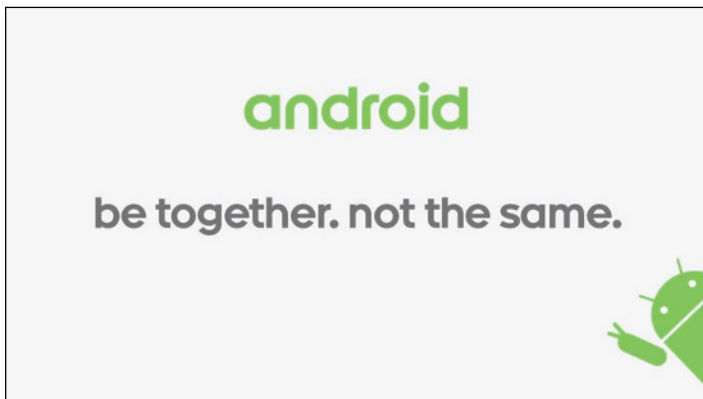
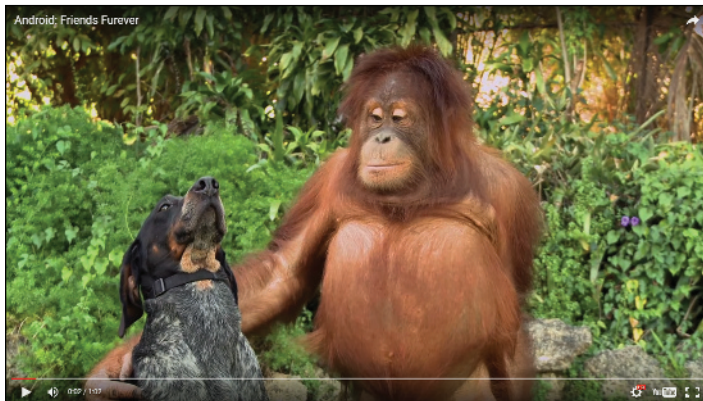
Marketers hope that some of their videos will go viral. **Viral marketing**, the digital version of word-of-mouth marketing, involves creating videos, ads, and other marketing content that are so infectious that customers will seek them out or pass them along to their friends. Because customers find and pass along the content, viral marketing can be very inexpensive. And when content comes from a friend, the recipient is much more likely to view or read it.

All kinds of videos can go viral, producing engagement and positive exposure for a brand. ● For example, Google Android launched a compellingly sharable video called “Friends Forever,” which featured unlikely pairings of animals—an orangutan and a dog, a bear and a tiger, a cat and a duckling—being pals and enjoying life together. The video was the latest installment in Android’s two-year-old “Be together. Not the same.” marketing campaign. The campaign highlights how people can be different and still be stronger together, in line with Android’s core competency of running on diverse devices, each with its own design and features. The heartwarming “Friends Forever” video went viral in a big way. It captured more than 24 million YouTube views and was shared more than 6.4 million times across Facebook, Twitter, and the blogosphere in its first nine months, making it the most-shared video of all time.¹⁹

Many brands produce multi-platform video campaigns that bridge traditional TV, online, and mobile media. For example, Adidas’s recent “Take It” campaign—a series of action-packed 60-second video ads featuring famous Adidas

Viral marketing

The digital version of word-of-mouth marketing: videos, ads, and other marketing content that is so infectious that customers will seek it out or pass it along to friends.



● **Viral marketing:** Google Android’s “Friends Forever” video went viral in a big way. It was shared more than 6.4 million times across Facebook, Twitter, and the blogosphere in its first nine months, making it the most-shared video of all time.

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athletes gutting it out in practice and on game day—began on TV but quickly zoomed to the top of the viral charts. The campaign drove home a captivating motivational message: “Do something and be remembered. Or do nothing and be forgotten. No one owns today. Take it.” The initial “Take It” ad broke during NBA All-Star Weekend, but that was only the beginning. The video ad went on to capture a whopping 21 million YouTube views in just the first week and 40 million in the first two months. Additional videos in the ad series grabbed millions more views, making “Take It” one of the most successful viral campaigns of the decade.²⁰

Despite these viral successes, it’s important to note that marketers usually have little control over where their viral messages end up. They can seed content online, but that does little good unless the message itself strikes a chord with consumers. Says one creative director, “You hope that the creative is at a high enough mark where the seeds grow into mighty oaks. If they don’t like it, it ain’t gonna move. If they like it, it’ll move a little bit; and if they love it, it’s gonna move like a fast-burning fire through the Hollywood hills.”²¹

Blogs and Other Online Forums

Brands also conduct online marketing through various digital forums that appeal to specific special-interest groups and brand communities. **Blogs** (or web logs) are online forums where people and companies post their thoughts and other content, usually related to narrowly defined topics. Blogs can be about anything, from politics or baseball to haiku, car repair, brands, or the latest television series. Many bloggers use social networks such as Twitter, Facebook, Tumblr, and Instagram to promote their blogs, giving them huge reach. Such reach can give blogs—especially those with large and devoted followings—substantial influence.

Most marketers are now tapping into the blogosphere with their own brand-related blogs that reach customer communities. For example, on the Coca-Cola Unbottled blog, Coke fans and company insiders can “look at what’s beyond the bottle,” sharing posts on everything from new products and sustainability initiatives to fun and inspiring “what’s bubbling” fan stories about “spreading happiness.” On the Netflix Blog, members of the Netflix team (themselves rabid movie fans) tell about the latest Netflix features, share

tricks for getting the most out of the Netflix experience, and collect feedback from subscribers.

And the creative Nuts About Southwest blog, written by Southwest Airline employees, fosters a two-way dialogue that gives customers a look inside the company’s culture and operations. At the same time, it lets Southwest engage customers directly and get feedback from them.

Beyond their own brand blogs, many marketers use third-party blogs to help get their messages out. For example, some fashion bloggers have amassed millions of followers, with fan bases larger even than the blogs and social media accounts of major fashion magazines. For example, 23-year-old Danielle Bernstein started the We Wore What fashion blog as an undergraduate at the Fashion Institute of Technology in New York City. The blog is now a source of daily outfit inspiration to a fan base of more than 1.4 million. Because of such large followings, brands flock to Bernstein and other fashion blog influencers such as BryanBoy, The Blonde Salad, Song of Style, and Gal Meets Glam, paying them \$15,000 or more to post and tag product images in their blog, Facebook, and Instagram sites. Bernstein posts images that contain sponsored products from small brands such as Schultz Shoes and Revolve Clothing to large brands such as Nike, Lancôme, and Nordstrom.²²

Blogs

Online forums where people and companies post their thoughts and other content, usually related to narrowly defined topics.



● **Tapping into blogs: The creative Nuts About Southwest blog, written by Southwest employees, fosters a two-way dialogue that gives customers a look inside the company’s culture and operations.**

Southwest Airlines Co.

As a marketing tool, blogs offer some advantages. They can offer a fresh, original, personal, and cheap way to enter into consumer online and social media conversations. However, the blogosphere is cluttered and difficult to control. And although companies can sometimes leverage blogs to engage customers in meaningful relationships, blogs remain largely a consumer-controlled medium. Whether or not they actively participate in the blogs, companies should monitor and listen to them. Marketers can use insights from consumer online conversations to improve their marketing programs.

Author Comment As in about every other area of our lives, digital media and mobile technologies have taken the marketing world by storm. They offer some amazing marketing possibilities. But truth be told, many marketers are still sweating over how to use them most effectively.

Social Media and Mobile Marketing

Social Media Marketing

As we've discussed throughout the text, the surge in internet usage and digital technologies and devices has spawned a dazzling array of online **social media** and other digital communities. Countless independent and commercial social networks have arisen where people congregate to socialize and share messages, opinions, pictures, videos, and other content. These days, it seems, almost everyone is buddying up on Facebook or Google+, checking in with Twitter, tuning into the day's hottest videos at YouTube, pinning images on social scrapbooking site Pinterest, or sharing photos with Instagram and Snapchat. And, of course, wherever consumers congregate, marketers will surely follow.

Most marketers are now riding the huge social media wave. According to one survey, 92 percent of U.S. companies now claim that social media marketing is important for their businesses.²³ Interestingly, just as marketers are now learning how to use social media to engage customers, the social media themselves are learning how to make their communities a suitable platform for marketing content, in a way that benefits both social media users and brands. Most social media, even the most successful ones, still face a monetization issue: How can they profitably tap the marketing potential of their massive communities to make money without driving off loyal users (see Real Marketing 17.1)?

Social media

Independent and commercial online social networks where people congregate to socialize and share messages, opinions, pictures, videos, and other content.

Using Social Media

Marketers can engage in social media in two ways: They can use existing social media or they can set up their own. Using existing social media seems the easiest. Thus, most brands—large and small—have set up shop on a host of social media sites. Check the websites of brands ranging from Coca-Cola, Nike, and Victoria's Secret to the Chicago Bulls or even the U.S. Forest Service and you'll find links to each brand's Facebook, Google+, Twitter, YouTube, Flickr, Instagram, or other social media pages. Such social media can create substantial brand communities. For example, the Chicago Bulls have more the 18 million Facebook fans; Coca-Cola has an eye-popping 97 million Facebook fans.

Some of the major social networks are huge. Nearly 1.6 billion people access Facebook every month, almost five times the population of the United States. Twitter has more than 305 million active monthly users. And YouTube's more than 1 billion users

upload 500 hours of video every minute of every day. The list goes on: Google+ has 359 million active users, Instagram 400 million, LinkedIn 100 million, and Pinterest 100 million.²⁴

Although these large, general-interest social media networks grab most of the headlines, countless niche and interest-based social media have also emerged. These online social networks cater to the needs of smaller communities of like-minded people, making them ideal vehicles for marketers who want to target special-interest groups. There's at least one social media network for just about every interest, hobby, or group. ● Goodreads is a social network where 55 million avid readers can "Meet your next favorite book" and discuss it with friends, whereas moms share advice and commiseration at CafeMom.com. FarmersOnly.com provides online dating for down-to-earth "country folks" who enjoy "blue skies, living free and at peace in wide open spaces, raising animals, and appreciating nature"—"because city folks just don't get it." At Birdpost.com, avid bird



● Countless niche and special-interest social media have emerged, catering to communities of like-minded people. Goodreads is a place where you can "Meet your next favorite book" and discuss it with others.

Goodreads, LLC

17.1 Social Media Monetization: Making Money without Driving Fans Away

As the world has rapidly gone social and mobile, social media have played a huge role. Whether it's on massive networks such as Facebook, Twitter, YouTube, Instagram, and Snapchat or lesser-known niche sites such as Blurt, Dogster, and Reddit, it's common to see people everywhere these days, heads down with devices in hand, connecting, posting, messaging, and sharing. On Facebook alone, every day, a mind-blowing 1 billion of the network's 1.6 billion active users worldwide upload 350 million photos, generate 4.5 billion Likes, and share 4.75 billion pieces of content.

However, even as social media networks have achieved incredible success in terms of numbers of users, sheer volume of content and activity, and company valuations, a nagging problem still plagues them. It's called *monetization*. How can social media profitably tap the marketing potential of their massive communities to make money without driving off their legions of loyal users? Most social media still struggle to make a profit, and even the most popular ones are only beginning to tap their full financial potential.

The first and best bet for converting the social-sharing potential of a social network's gigantic user community into real dollars is online advertising. For marketers, the targeting and customer engagement potential of social media is a dream come true, and advertisers willingly pay for access via ads and other paid brand content. But successfully injecting brand content alongside user content can be tricky and risky. Social media users often cherish the free (and commercial-free) sharing cultures of their online communities. If not well conceived, commercial content becomes an unwelcome intrusion that can alienate users and potentially drive them away.

Thus, although social media have exploded in popularity, most are still having trouble making money. Even Facebook—far and away the most financially successful social network, which earned \$3.7 billion in profits on \$18 billion in revenues last year—has little more than scratched the surface of its vast financial potential.

To illustrate the monetization difficulties that social media face, let's dig deeper into one

of today's most successful ones, Snapchat, the wildly popular messaging app. Snapchat serves a fast-growing community of approximately 200 million users, heavily weighted toward young millennials and GenZ. Snapchat started as a messaging app for sharing pictures and videos—known as Snaps—that disappear without a trace after a few seconds. But it has now morphed into a full and vibrant communication platform. Snapchatters can choose from a full menu of options, including text, photos, drawings, video notes, audio notes, video calls, and audio calls, all in full-screen glory. Snapchat also offers up a variety of news and entertainment content.

Snapchat exploded onto the scene only five years ago. By the end of its first year, 1 billion photos had been shared through Snapchat's servers; today more than 100 million daily Snapchat users share some 10 billion daily video views. As Snapchat's popularity soared, so did its valuation. Two years in, Facebook made Snapchat's founders a then-startling \$3 billion buyout offer; the founders politely declined. Today, Snapchat has raised more than \$1.1 billion in venture capital funding and is valued at \$16 billion. Yet in its rise to glory, Snapchat only recently started to generate revenue of any kind and has yet to make even a dime of profits.

Snapchat's financial story is typical for successful social media: modest beginnings as a start-up followed by meteoric growth in popularity and use leading to outrageously high valuation—all with little or no income. Then comes that difficult question: How can they monetize their massive user bases to make profits and sustain themselves? For Snapchat, that's especially difficult. The very feature that makes Snapchat unique and so popular—content lasting only seconds—makes it difficult to track and analyze users for targeting purposes, a turnoff to marketers. In this era of big data, how can Snapchat, which collects no user data, attract marketers? Snapchat's challenge is to persuade marketers that the benefits of reaching its young millennials and GenZ community outweigh user anonymity and lack of pinpoint targeting potential.

Careful not to ruffle its community's sensitivities or disrupt the user experience, Snapchat didn't introduce its first advertising opportunities until October 2014. However, it now offers several ad platforms. At the most basic level, Snapchat sells traditional paid video ad placements alongside other site content. Next, it offers a magazine-like platform called "Discover." Discover is a Snapchat content area where publishers ranging from ESPN, CNN, Comedy Central, and Food Channel to *Cosmopolitan*,



Wildly popular messaging app Snapchat and other social media face a nagging monetization issue: How can they profitably tap the marketing potential of their massive communities to make money without driving off their legions of loyal users?

Thomas Trutschel/Getty Images

National Geographic, and *People* post daily collections of their best content. Snapchat users can share Discover news stories and video with personalized comments or emoji. Advertisers pay a minimum of \$50,000 a day to advertise alongside the Discover content, and Snapchat has hinted that it will soon offer brand-owned Discover stories.

Snapchat also offers advertisers a sponsored feeds platform called “Live Story.” These feeds are TV-like streams of an event such as New Year’s Eve, March Madness, an important football game, or the Macy’s Thanksgiving Parade, featuring user-generated content curated by Snapchat. Advertisers can buy sponsorship rights for a Live Story feed starting at \$250,000, which includes a brand mention in the opening title as well as branded snaps interspersed throughout the feed. For example, Macy’s sponsors the Macy’s Thanksgiving Parade feed, weaving its own brand content in with user content. Advertisers can also pay for a single 10-second brand snap woven into a feed. Live Stories feeds garner an estimated

20 million daily views within the Snapchat community.

In addition to the Discover and Live Story platforms, Snapchat continues to tinker with other advertising products and rates to find the best monetization formula. Although it now generates only a trickle of ad revenue compared with Facebook—a meager \$50 million last year—the brash young social network projects that ad revenues will be six to seven times that amount this year.

In its quest to monetize, Snapchat has a lot at stake. Will increased advertising and brand content alienate avid Snapchat fans? If

done right, probably not. Studies show that social media users readily accept—even welcome—well-targeted brand content. A recent Snapchat survey found that 60 percent of Snapchat users actually like its Live Story ads.

But that’s the catch—doing it right. Like its own disappearing photo feature, Snapchat’s soaring popularity could vanish quickly if overly aggressive monetization causes resentment within its highly mobile and typically fickle fan base. Snapchat must move forward carefully. As one Snapchat marketer concludes, “We’re always fine tuning to ensure we deliver the best possible experience for our community.”

Sources: Kimberlee Morrison, “If You Really Want to Reach GenZ, Snapchat Is the Way,” *Adweek*, March 23, 2016, www.adweek.com/socialtimes/print/636450; Garrett Sloane, “Snapchat Persuades Brands to Go Vertical with Their Video,” *Adweek*, April 27, 2015, pp. 20–22; Tim Peterson, “With Snapchat’s First Ad Format on Hold, Focus Shifts to Live Event Feeds,” *Advertising Age*, April 16, 2015, www.adage.com/print/298082; Austin Carr, “I Ain’t Afraid of No Ghosts,” *Fast Company*, November 2015, pp. 100–104; Kia Kokalitcheva, “Snapchat Reportedly Targets at Least \$300 Million in 2016 Revenue,” *Fortune*, March 7, 2016, <http://fortune.com/2016/03/07/snapchat-revenue-target/>; and Sarah Frier, “Snapchat User ‘Stories’ Fuel 10 Billion Daily Video Views,” *Bloomberg Technology*, April 28, 2016, www.bloomberg.com/news/articles/2016-04-28/snapchat-user-content-fuels-jump-to-10-billion-daily-video-views.

watchers can keep an online list of birds they’ve seen and share bird sightings with other members using modern satellite maps.²⁵

Social Media Marketing Advantages and Challenges

Using social media presents both advantages and challenges. On the plus side, social media are *targeted* and *personal*—they allow marketers to create and share tailored brand content with individual consumers and customer communities. Social media are *interactive*, making them ideal for starting and participating in customer conversations and listening to customer feedback. For example, TOMS shoes—which gives a free pair of shoes to a child in need for every shoe purchased, one for one—recently ran a two-week #withoutshoes campaign in which it donated one pair of shoes for every person who snapped a picture of their bare feet, shared it on Instagram, and urged others to do the same. The campaign resulted in more than 296,000 pairs of shoes donated, engaging customers in spreading the brand’s philanthropic message to millions around the world.²⁶

Social media are also *immediate* and *timely*. They can be used to reach customers anytime, anywhere with timely and relevant marketing content regarding brand happenings and activities. As discussed earlier in the chapter, the rapid growth in social media usage has caused a surge in *real-time marketing*, allowing marketers to create and join consumer conversations around situations and events as they occur. Marketers can now watch what’s trending and create content to match.

Social media can be very *cost-effective*. Although creating and administering social media content can be costly, many social media are free or inexpensive to use. Thus, returns on social media investments are often high compared with those of expensive traditional media such as television or print. The low cost of social media puts them within easy reach of even small businesses and brands that can’t afford the high costs of big-budget marketing campaigns.

Perhaps the biggest advantage of social media is their *engagement and social sharing capabilities*. Social media are especially well suited to creating customer engagement and community—for getting customers involved with the brand and with each other. More than any other channels, social media can involve customers in shaping and sharing brand content, experiences, information, and ideas.

For example, consider Etsy—the online craft marketplace that’s “Your place to buy and sell all things handmade.” ● Etsy uses its web and mobile sites and a host of social media to create an Etsy lifestyle community, where buyers congregate to learn about, explore, exchange,



● **Through its extensive online and social media presence, Etsy has created an active and engaged brand community of buyers and sellers in a “marketplace we make together.”**

Daniel Acker/Bloomberg via Getty Images

and share ideas about handmade and vintage products and related topics. In addition to its active Facebook, Twitter, and YouTube pages, Etsy engages 780,000 brand followers on photo-sharing site Instagram, where the Etsy community shares photos of creative ideas and projects. It also engages almost a million followers on social scrapbooking site Pinterest, with 120 boards on topics ranging from “DIY Projects,” “Entertaining,” and “Stuff We Love” to “Etsy Weddings” and even “Yum! Recipes to Share,” where the community posts favorite recipes. Etsy sells few of the ingredients that go into the recipes, but it’s all part of the Etsy lifestyle. Through its extensive online and social media presence, Etsy has created an active and engaged worldwide community of 24 million shoppers and 1.6 million sellers worldwide in what it calls “The marketplace we make together.”²⁷

Social media marketing also presents challenges. First, many companies are still experimenting with how to use them effectively and results are hard to measure. Second, such social networks are largely user controlled. The company’s goal in using social media is to make the brand a part of consumers’ conversations and their lives. However, marketers

can’t simply muscle their way into consumers’ digital interactions—they need to earn the right to be there. Rather than intruding, marketers must become a valued part of the online experience by developing a steady flow of engaging content.

Because consumers have so much control over social media content, even a seemingly harmless social media campaign can backfire. In April 2016, to mourn the passing of rock icon Prince, Cheerios, the breakfast cereal owned by US-based General Mills, tweeted their condolences: “Rest in peace,” hashtag #prince. A simple message of condolence intended for fans of both Prince and Cheerios except for one small issue: the company replaced the dot on the ‘i’ with a single O-shaped Cheerio. The Twittersverse responded immediately, interpreting the tweet as an exercise in branding rather than an expression of condolence. General Mills acknowledged its tweet might have been “inappropriate,” apologized, and deleted it. In the interim, Hamburger Helper, another General Mills’ product, also tweeted its condolences, thankfully minus a hamburger. That tweet was also deleted.

In 2016, Aldi Australia asked Twitter users to #tellus when they became an Aldi lover. However the campaign didn’t just generate the expected list of customers’ favorite Aldi brands; the hashtag also turned into a revenge hashtag—a bashtag—with unexpectedly rude, often sexually themed mocking of the supermarket chain by disgruntled customers.

There’s a clear message. With social media, “you’re going into the consumer’s backyard. This is their place,” warns one social marketer. “Social media is a pressure cooker,” says another. “The hundreds of thousands, or millions, of people out there are going to take your idea, and they’re going to try to shred it or tear it apart and find what’s weak or stupid in it.”²⁸

Integrated Social Media Marketing

Using social media might be as simple as posting some messages and promotions on a brand’s Facebook or Twitter pages or creating brand buzz with videos or images on YouTube, Instagram, or Pinterest. However, most large companies are now designing full-scale social media efforts that blend with and support other elements of a brand’s marketing content strategy and tactics. More than making scattered efforts and chasing “Likes” and tweets, companies that use social media successfully are integrating a broad range of diverse media to create brand-related social sharing, engagement, and customer community.

Managing a brand’s social media efforts can be a major undertaking. For example, Starbucks is one of the most successful social media marketers. Its core social media team connects with its fans through 30 accounts on 12 different social platforms. Frappuccino alone has more than 11 million followers on Facebook, Twitter, Instagram, and We Heart It. Managing and integrating all that social media content is challenging, but the results are worth the investment. Customers can and do engage with Starbucks by the tens of millions digitally, without ever setting foot in a store.²⁹

But more than just creating online engagement and community, Starbucks’ social media presence also drives customers into its stores. For example, in its first big social media promotion six years ago, Starbucks offered a free pastry with a morning drink purchase. A million people showed up. A more recent “Tweet-a-Coffee” promotion, which let

Mobile marketing

Marketing messages, promotions, and other content delivered to on-the-go consumers through their mobile devices.

Mobile Marketing

Mobile marketing features marketing messages, promotions, and other marketing content delivered to on-the-go consumers through their mobile devices. Marketers use mobile marketing to engage customers anywhere, anytime during the buying and relationship-building processes. The widespread adoption of mobile devices and the surge in mobile web traffic have made mobile marketing a must for most brands.

With the recent proliferation of mobile phones, smartphones, and tablets, mobile device penetration is now greater than 100 percent in the United States (many people possess more than one mobile device). Almost 70 percent of people in the United States own a smartphone and nearly half of all U.S. households are currently mobile-only households with no landline phone. The mobile apps market has exploded globally: There are more than 3 million apps available, and the average smartphone has 11 to 20 apps installed on it.³¹

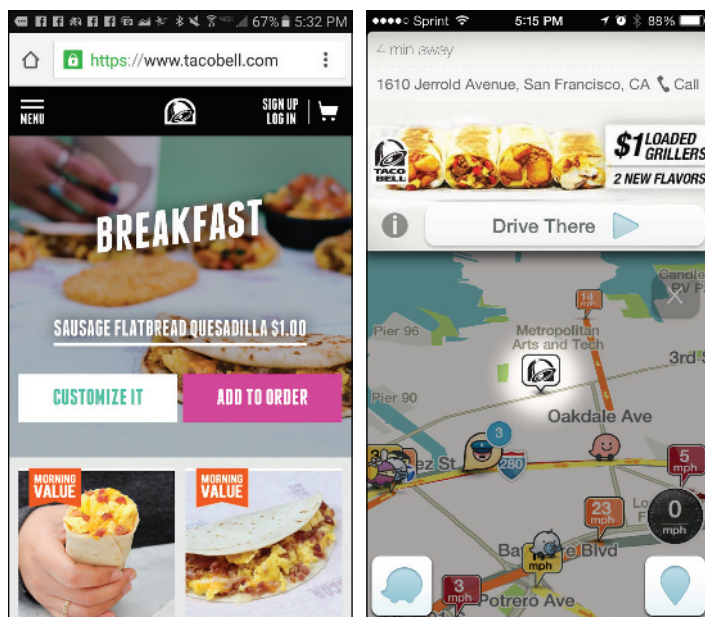
Most people love their phones and rely heavily on them. According to one study, nearly 90 percent of consumers who own smartphones, tablets, computers, and TVs would give up all of those other screens before giving up their phones. On average, Americans check their phones 46 times a day—74 times a day for 18- to 24-year-olds—and spend three hours and 40 minutes a day using apps, talking, texting, and browsing the web. Thus, although TV is still a big part of people's lives, mobile is rapidly becoming their "first screen." Away from home, it's their only screen.³²

For consumers, a smartphone or tablet can be a handy shopping companion. It can provide on-the-go product information, price comparisons, advice and reviews from other consumers, and access to instant deals and digital coupons. One recent study found that 90 percent of smartphone-toting shoppers have used their phone while shopping. Not surprisingly, then, more than 42 percent of all e-commerce purchases are made on mobile devices.³³ Mobile provides a rich platform for engaging consumers more deeply as they move through the buying process with tools ranging from mobile ads, coupons, and texts to apps and mobile websites.

Mobile advertising spending in the United States is surging. It grew 66 percent last year alone and will more than double during the next four years.³⁴ Mobile ad spending is expected to overtake TV ad spending by 2020. Almost every major marketer—from Nike, P&G, and Macy's to your local supermarket to nonprofits such as the Red Cross—is now integrating mobile marketing into its direct marketing programs.

Companies use mobile marketing to stimulate immediate buying, make shopping easier, enrich the brand experience, or all of these (see Real Marketing 17.2). It lets marketers provide consumers with information, incentives, and choices at the moment they are expressing an interest or when they are most likely to make a buying choice. For example, Taco Bell uses mobile advertising to reach consumers at what it calls mobile "moments that matter."³⁵

As part of its ongoing push to promote Taco Bell for breakfast, the chain uses carefully targeted mobile advertising to reach consumers just as they are starting their day. It targets mobile ads based on specific behaviors such as which apps consumers use first in the morning, their favorite news apps, or what time of day they've looked at a breakfast recipe. "We're weaving into morning behaviors," says a Taco Bell marketer. ● Taco Bell also targets mobile ads geographically using navigation and traffic apps such as Google's Waze to zero in on specific customer locations, even providing step-by-step directions to nearby stores. In these ways, Taco Bell can customize mobile ads according to each customer's actions, experiences, and environment. In marketing its breakfasts, says the marketer, mobile lets Taco Bell be "present on experiences that consumers turn to when they first open their eyes in the morning."



● **Mobile marketing:** Carefully-targeted mobile advertising lets Taco Bell reach breakfast customers at "moments that matter"—such as when they first open their eyes in the morning.

Taco Bell Corp.

17.2 Mobile Marketing: Engaging Customers Anywhere, Anytime

Armed only with a smartphone or other mobile device, you can learn, do, or buy almost anything these days, from anywhere, and at any time. Google's Waze app does more than just help you navigate—it pinpoints traffic jams, accidents, speed traps, and gas prices in real time, faithfully updated by members of the Waze community. Is that Redbox kiosk too slow? Download the Redbox app—it lets you find and reserve a DVD using your mobile device and have it waiting for you at the kiosk.

REI's Powder Project app gives you "backcountry, sidecountry, and secret stashes" ski slope information for locations throughout the United States and Canada. Beyond just the basics like snow conditions, number of open lifts, and trail maps, the app offers webcam views, GPS routing, elevation profiles, forums, and a host of interactive features plus links to REI for times when you decide you can't live without a new set of K2 skis or a two-man Hubba Hubba tent.

Welcome to the world of mobile marketing. Today's smartphones and other mobile devices are changing how people live, becoming indispensable hubs for communication, information, and entertainment. They are also revolutionizing the way people shop and buy, giving marketers new opportunities to engage customers in more effective and satisfying ways.

Marketers are responding to the huge growth in mobile access and use. Mobile ad spending skyrocketed 66 percent last year and is expected to more than double in the next four. And the mobile app market has outright exploded. Just seven years ago, Apple's App Store had a then-astounding 10,000 apps. But by last year, it boasted 1.5 million apps; Android's Google Play now has the lead with more than 1.6 million apps. Mobile has become today's brave new marketing frontier, especially for brands courting younger consumers. Mobile devices are very personal, ever-present, and always on. That makes them an ideal medium for obtaining quick responses to individualized, time-sensitive offers.

Successful mobile marketing goes beyond just giving people a coupon and a link to buy. Instead, it enhances brand engagement and creates a "frictionless" buying experience. For example, with Amazon's mobile app—thanks to "1-click" purchasing, Prime membership, and other features—customers located anywhere, anytime can have products delivered

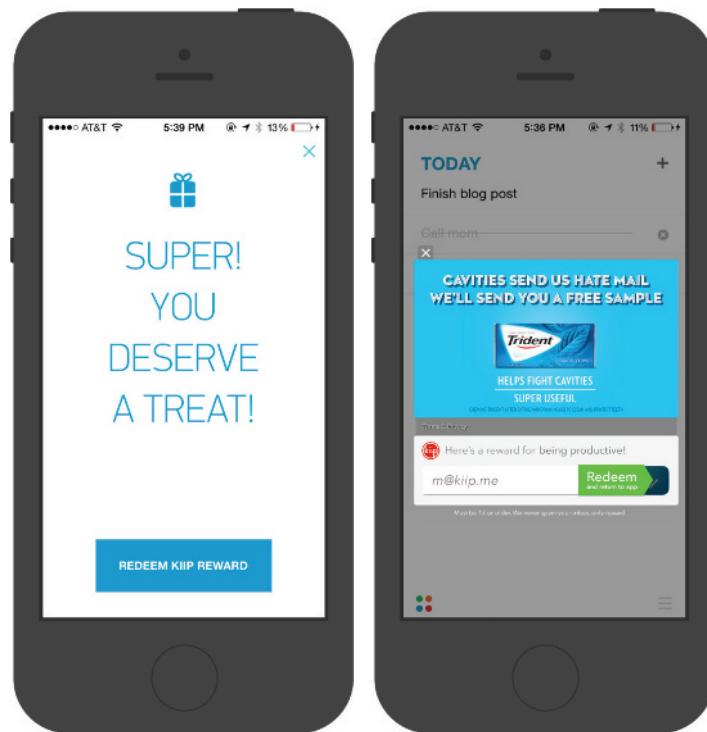
to practically any location in less than 24 hours with nothing more than a smartphone, a simple search or scan, and the click of a button.

Consumers have come to expect such frictionless mobile buying experiences from marketing giants like Amazon. But with recent rapid advances in mobile capabilities, from location-based technologies to mobile payment systems, more and more companies are becoming the Amazons of their industries. Consider mobile app-based car-sharing service Getaround.

In the United States alone, personal cars sit idle for 6 billion car-hours every day. Peer-to-peer car-sharing service Getaround lets car owners earn money by sharing those unused hours with others in the Getaround community for a fee. The young company has already developed a fast-growing base of 300,000 members, who receive 60 percent of the rental fees—an average of \$500 to \$1,000 per month depending on the car. Getaround takes care of everything—customer contact and support, insurance, roadside assistance, and payment. To use Getaround, you just download the mobile app and supply

credit card and driver's license information. Then you can use the app to search among and view thousands of cars available in the neighborhood and rent one by the hour or day, right when you need it. You locate the car with your phone's GPS, unlock it with the app, and get in and drive it away. Pay with a credit card on file or using Apple Pay with a single tap. It's that simple. The Getaround app even provides trip management tools for planning getaways on the go.

Mobile marketing can do much more than simply ease the buying process. It can also take ads, coupons, and other promotions to new levels. Mobile marketers can personalize promotions and weave them into relevant everyday customer experiences. For example, Kiip, a mobile reward network, specializes in helping brands provide customers with just the right reward at just the right time based on their everyday activities. The agency started by embedding its technology into video game apps such as Zombie Farm and Mega Jump. Gamers who reach a new game level or meet some other goal get a coupon to one of their favorite retailers, such as American Apparel.



Mobile marketing: Mobile promotions company Kiip helps client brands link mobile offers to relevant customer experiences and positive moments. "We want to capitalize on happiness," says Kiip's CEO.

Kiip, Inc.

Kiip now boasts a network of 2,500 apps and 60 million users across games, fitness, productivity, music, and cooking categories. It showcases more than 500 million reward moments every month for clients like McDonald's, Propel, Sour Patch Kids, P&G, and MasterCard. For fitness apps like MapMyRun and productivity apps like Any.do, Kiip ties rewards to real-life achievements. When users cross things off their to-do lists or achieve a running goal, they get a reward from a relevant brand. For example, P&G's Secret deodorant recently rewarded female MapMyRun users with free song downloads for their workout playlists. And snack giant Mondelez rewarded Any.do users with free packs of Trident when they set new personal records.

Kiip helps marketers reach targeted users at positive moments with rewards relevant to their real-time doings and accomplishments. Readers who finish a certain number of pages in a reading app receive a free magazine subscription. People using a couple's app to stay in touch receive credits toward a purchase from 1-800-Flowers. Kiip is even working with connected-car company Mojio, whose 4G telematic device plugs into a car's diagnostic port, tracks information about the car's status, and keeps the owner connected to favorite people, places, and things. Through Mojio, Kiip helps clients—from insurance companies

and car repair shops to parking meter and garage operators—provide rewards tied to specific driver locations and behaviors.

Unlike typical banner ads, pop-ups, or emails, Kiip offers enhance a user's regular activities rather than interrupting them. According to Kiip's founder and CEO, Kiip "is less about real-time marketing and more about real-time-needs addressing." In fact, he asserts, Kiip isn't really in the mobile ad business at all—it's in the happiness business. "We want to capitalize on happiness," he says. "Everything's better when you're happy." Mobile timeliness, relevance, and happiness pay off in terms of consumer response. Users redeem Kiip's mobile promotions at a 22-percent clip compared with the

0.3 percent for typical app ad engagement. Kiip's offers also increase mobile app revisits by 30 percent and more than double average app length of use.

Many consumers are initially skeptical about mobile marketing. But they often change their minds if mobile offers deliver useful brand and shopping information, entertaining content, or timely coupons and discounted prices. Most mobile efforts target only consumers who voluntarily opt in or download apps. In the increasingly cluttered mobile marketing space, customers just won't do that unless they see real value in it. The challenge for marketers: develop valued mobile offers, ads, and apps that make customers come calling.

Sources: Denise Restauri, "With the Getaround App, Your Idle Car Can Pay for Itself," *Forbes*, February 25, 2016, www.forbes.com/sites/deniserestauri/2016/02/25/this-millennial-is-upending-the-transportation-industry-and-she-needs-your-car/#616b02e843f4; Lindsay Harrison, "Kiip: For Making Mobile Ads That People Want," *Fast Company*, February 11, 2013, www.fastcompany.com/most-innovative-companies/2013/kiip; Christina Chaey, "How Kiip Ties Brand Rewards to Game and Life Achievements to Make Mobile Ads Engaging," *Fast Company*, July 23, 2012, www.fastcocreate.com/1681287; Neil Underleider, "Advertisers Are about to Enter Your Connected Car," *Fast Company*, April 11, 2014, www.fastcompany.com/3028744/most-innovative-companies/advertisers-are-about-to-enter-your-connected-car; Katherine Dunkin, "Building a Peer-to-Peer Car Sharing Network at Age 27," *Entrepreneur*, August 20, 2014, www.entrepreneur.com/article/236473; "Digital Ad Spending to Surpass TV Next Year," *eMarketer*, March 8, 2016, www.emarketer.com/Article/Digital-Ad-Spending-Surpass-TV-Next-Year/1013671; and www.powderproject.com/, www.kiip.com/me, www.getaround.com/mobile, www.getaround.com/tour, and www.getaround.com/tour/benefits, accessed October 2016.

Today's rich-media mobile ads can create substantial engagement and impact. For example, Macy's built a recent "Brasil: A Magical Journey" promotion around a popular and imaginative smartphone app. The campaign featured apparel from Brazilian designers and in-store experiences celebrating Brazilian culture. By using their smartphones to scan codes throughout the store, shoppers could learn about featured fashions and experience Brazilian culture through virtual tours, such as a trip to the Amazon, a visit to Rio de Janeiro during Carnival, or attending a Brazilian soccer match.

Most marketers have created their own mobile online sites, optimized for specific phones and mobile service providers. Others have created useful or entertaining mobile apps to engage customers with their brands and help them shop. For example, the Benjamin Moore Color Capture app lets customers take photos of colorful objects, then match them to any of 3,500 Benjamin Moore paint colors. Starbucks's mobile app lets customers use their phones as a Starbucks card to make fast and easy purchases. And Charles Schwab's mobile apps let customers get up-to-the-minute investment news, monitor their accounts, and make trades at any time from any location—it helps you "stay connected with your money."

As with other forms of direct marketing, however, companies must use mobile marketing responsibly or risk angering already ad-weary consumers. Most people don't want to be interrupted regularly by advertising, so marketers must be smart about how they engage people on mobile devices. The key is to provide genuinely useful information and offers that will make consumers want to engage. And many marketers target mobile ads on an opt-in-only basis.

In all, digital direct marketing—online, social media, and mobile marketing—offers both great promise and many challenges for the future. Its most ardent apostles still envision a time when the internet and digital marketing will replace magazines, newspapers, and even stores as sources for information, engagement, and buying. Most marketers, however, hold a more realistic view. For most companies, digital and social media marketing will remain just one important approach to the marketplace that works alongside other approaches in a fully integrated marketing mix.

Author Comment Although online, social media, and mobile direct marketing seem to be getting much of the attention these days, traditional direct media still carry a lot of the direct marketing freight. Just think about your often overstuffed mailbox.

Traditional Direct Marketing Forms

Although the fast-growing digital marketing tools have grabbed most of the headlines lately, traditional direct marketing tools are very much alive and still heavily used. We now examine the traditional direct marketing approaches shown on the right side of Figure 17.1.

The major traditional forms of direct marketing are face-to-face or personal selling, direct-mail marketing, catalog marketing, telemarketing, direct-response television (DRTV) marketing, and kiosk marketing. We examined personal selling in depth in Chapter 16. Here, we look into the other forms of traditional direct marketing.

Direct-Mail Marketing

Direct-mail marketing

Marketing that occurs by sending an offer, announcement, reminder, or other item directly to a person at a particular address.

Direct-mail marketing involves sending an offer, announcement, reminder, or other item to a person at a particular address. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year—letters, catalogs, ads, brochures, samples, videos, and other “salespeople with wings.” U.S. marketers spend an estimated \$47 billion annually on direct mail (including both catalog and noncatalog mail), which accounts for 30 percent of all direct marketing spending.³⁶

Direct mail is well suited to direct, one-to-one communication. It permits high target-market selectivity, can be personalized, is flexible, and allows the easy measurement of results. Although direct mail costs more per thousand people reached than mass media such as television or magazines, the people it reaches are much better prospects. Direct mail has proved successful in promoting all kinds of products, from books, insurance, travel, gift items, gourmet foods, clothing, and other consumer goods to industrial products of all kinds. Charities also use direct mail heavily to raise billions of dollars each year.

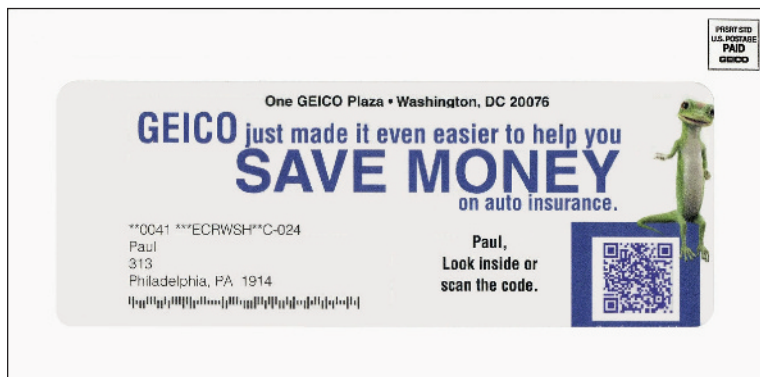
Some analysts predict a decline in the use of traditional forms of direct mail in the coming years as marketers switch to newer digital forms, such as email and online, social media, and mobile marketing. The newer digital direct marketing approaches deliver messages at incredible speeds and lower costs compared to the U.S. Post Office’s “snail mail” pace.

However, even though new digital forms of direct marketing are bursting onto the scene, traditional direct mail is still heavily used by most marketers. Mail marketing offers some distinct advantages over digital forms. It provides something tangible for people to hold and keep, and it can be used to send samples. “Mail makes it real,” says one analyst. It “creates an emotional connection with customers that digital cannot. They hold it, view it, and engage with it in a manner entirely different from their [digital] experiences.” According to the U.S. Postal Service, 98 percent of people check their physical mailboxes every day. In contrast, email and other digital forms are easily ignored, filtered, or trashed. With spam filters and ad blockers filtering out email and mobile ads these days, says a direct marketer, “sometimes you have to lick a few stamps.”³⁷

Traditional direct mail can be an effective component of a broader integrated marketing campaign. For example, GEICO relies heavily on TV advertising to establish broad customer awareness and positioning. However, it also uses lots of good old direct mail to break through the glut of insurance advertising clutter on TV. GEICO uses direct mail offers that

invite carefully targeted customers act immediately to save money on their auto insurance by visiting geico.com, calling 1-800-947-AUTO, or contacting a local GEICO agent. GEICO makes its direct mailers as unskippable as its TV and digital ads. ● For example, potential customers might receive a personally addressed mail piece with a “save money” message and scannable code on the front of the envelope, inviting them to look inside or simply scan the code with their smartphone. Scanning the code takes them directly to GEICO’s mobile site where they received additional information and calls to action.

Direct mail may be resented as *junk mail* if sent to people who have no interest in it. For this reason, smart marketers are targeting their direct mail carefully so as not to waste their money and recipients’ time. They are designing permission-based programs that send direct mail only to those who want to receive it.



● **Direct-mail marketing: GEICO uses lots of good old direct mail to break through the glut of insurance advertising clutter.**

All text and images are copywritten with permission from GEICO.

Catalog marketing

Direct marketing through print, video, or digital catalogs that are mailed to select customers, made available in stores, or presented online.

Telemarketing

Using the telephone to sell directly to customers.

Catalog Marketing

Advances in technology, along with the move toward personalized, one-to-one marketing, have resulted in exciting changes in **catalog marketing**. *Catalog Age* magazine used to define a *catalog* as “a printed, bound piece of at least eight pages, selling multiple products, and offering a direct ordering mechanism.” Today, the definition must be revamped to meet the changing times.

With the stampede to the internet and digital marketing, more and more catalogs are going digital. A variety of online-only catalogers have emerged, and most print catalogers have added web-based catalogs and mobile catalog shopping apps to their marketing mixes. For example, catalogs from retailers such as Macy’s, Anthropologie, L.L. Bean, Hammacher Schlemmer, or West Elm are only a swipe of the finger away on a smartphone or tablet. And days before the latest Eddie Bauer catalog arrives in the mail, customers can access it digitally on a laptop or mobile device at eddiebauer.com or catch highlights via social media outlets such as Pinterest. Eddie Bauer’s mobile catalog gives customers the convenience of on-the-go browsing and purchasing.

Digital catalogs eliminate printing and mailing costs. They also allow real-time merchandising: Products and features can be added or removed as needed and prices can be adjusted instantly to match demand. And whereas space is limited in a print catalog, online catalogs can offer an almost unlimited amount of merchandise. Customers can carry digital catalogs anywhere they go, even when shopping at physical stores. Online catalogs also offer a broader assortment of presentation formats, including search and video. Finally, digital catalogs can be interactive. For example, IKEA’s catalog app allows customers to experiment with room designs and colors schemes to see how an IKEA product might look in their own space and to share product and design ideas with others via social media.

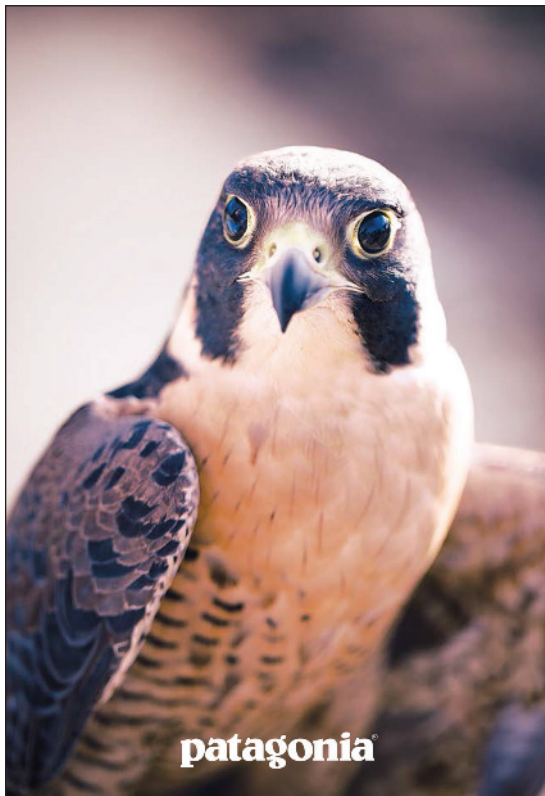
Despite the advantages of digital catalogs, however, as your overstuffed mailbox may suggest, printed catalogs are still thriving. U.S. direct marketers mailed out some 12 billion catalogs last year—more than 97 per American household.³⁸ Why aren’t companies ditching their old-fashioned paper catalogs in this new digital era?

For one thing, printed catalogs are one of the best ways to drive online and mobile sales, making them more important than ever in digital time. For example, one survey found that 75 percent of Lands’ End shoppers say they look at a catalog before heading to the retailer’s online or mobile site to buy. And menswear company Bonobos discovered that 30 percent of its first-time online customers are inspired to shop there after receiving a catalog, and these buyers spend 50 percent more than catalog-free Bonobos shoppers.³⁹

But beyond their ability to drive immediate sales, paper catalogs create emotional connections with customers. Somehow, turning actual catalog pages engages consumers in a way that digital images simply can’t. And many sellers are revamping their catalogs, making them much more than just big books full of product pictures and prices. For example, Anthropologie calls its catalogs “journals” and fills them with lifestyle images. “Of course we’re trying to sell clothes and accessories,” says Anthropologie’s CMO, “but it’s more to inspire and engage.”

Similarly, in addition to the 10 or so traditional catalogs that it publishes each year, Patagonia sends out other catalogs built around themes. ● One recent catalog featured falconry, with images of children with condors in Chile and wildlife volunteers in California releasing rehabilitated red-tailed hawks.

The catalog included only a handful of products, placed on the last four pages of the 43-page book. Such catalogs are “a way we’re speaking to our closest friends and people who know the brand really well,” says a Patagonia marketer. “Years ago, [a catalog] was a selling tool, and now it’s become an inspirational source,” says another direct marketer. “We know our customers love a tactile experience.”⁴⁰



● **Catalogs:** Even in the digital era, printed catalogs are still thriving. In addition to its traditional catalogs, Patagonia sends out catalogs built around lifestyle themes, as “a way we’re speaking to our closest friends and people who know the brand really well.”

Patagonia

Telemarketing

Telemarketing involves using the telephone to sell directly to consumers and business customers. U.S. marketers will spend an estimated \$44 billion

on telemarketing this year, almost as much as on direct mail.⁴¹ We're all familiar with telephone marketing directed toward consumers, but business-to-business (B-to-B) marketers also use telemarketing extensively. Marketers use *outbound* telephone marketing to sell directly to consumers and businesses. They also use *inbound* toll-free numbers to receive orders from television and print ads, direct mail, or catalogs.

Properly designed and targeted telemarketing provides many benefits, including purchasing convenience and increased product and service information. However, the explosion in unsolicited outbound telephone marketing over the years annoyed many consumers, who objected to the almost daily "junk phone calls." In 2003, U.S. lawmakers responded with the National Do Not Call Registry, which is managed by the Federal Trade Commission (FTC). The legislation bans most telemarketing calls to registered phone numbers (although people can still receive calls from nonprofit groups, politicians, and companies with which they have recently done business). Consumers responded enthusiastically. To date, more than 222 million home and mobile phone numbers have been registered at www.donotcall.gov or by calling 888-382-1222.⁴² Businesses that break do-not-call laws can be fined up to \$16,482 per violation. As a result, the program has been very successful.

Do-not-call legislation has hurt parts of the consumer telemarketing industry. However, two major forms of telemarketing—inbound consumer telemarketing and outbound B-to-B telemarketing—remain strong and growing. Telemarketing also remains a major fundraising tool for nonprofit and political groups. Interestingly, do-not-call regulations appear to be helping some direct marketers more than they're hurting them. Rather than making unwanted calls, many of these marketers are developing "opt-in" calling systems, in which they provide useful information and offers to customers who have invited the company to contact them by phone or email. The opt-in model provides better returns for marketers than the formerly invasive one.

Direct-Response Television Marketing

Direct-response television (DRTV) marketing

Direct marketing via television, including direct-response television advertising (or infomercials) and interactive television (iTV) advertising.

Direct-response television (DRTV) marketing takes one of two major forms: direct-response television advertising and interactive TV (iTV) advertising. Using *direct-response television advertising*, direct marketers air television spots, often 60 or 120 seconds in length, which persuasively describe a product and give customers a toll-free number or an online site for ordering. It also includes full 30-minute or longer advertising programs, called *infomercials*, for a single product.

Successful direct-response television advertising campaigns can ring up big sales. For example, little-known infomercial maker Guthy-Renker has helped propel its Proactiv Solution acne treatment and other "transformational" products into power brands that pull in \$1.8 billion in sales annually to 5 million active customers (compare that to only about \$150 million in annual drugstore sales of acne products in the United States). Guthy-Renker now combines DRTV with social media campaigns using Facebook, Pinterest, Google+, Twitter, and YouTube to create a powerful integrated direct marketing channel that builds consumer involvement and buying.⁴³

DRTV ads are often associated with somewhat loud or questionable pitches for cleaners, stain removers, kitchen gadgets, and nifty ways to stay in shape without working very hard at it. For example, over the past few years yell-and-sell TV pitchmen like Anthony Sullivan (Swivel Sweeper, Awesome Auger) and Vince Offer (ShamWow, SlapChop) have racked up billions of dollars in sales of "As Seen on TV" products. Brands like OxiClean, ShamWow, and the Snuggie (a blanket with sleeves) have become DRTV cult classics. And direct marketer Beachbody brings in more than \$570 million annually via an army of workout videos—from P90X and T-25 to Insanity and Hip Hop Abs—that it advertises on TV using before-and-after stories, clips of the workout, and words of encouragement from the creators.⁴⁴

In recent years, however, a number of large companies—from P&G, Disney, Revlon, and Apple to Toyota, Coca-Cola, Sears, Home Depot, and even the U.S. Navy—have begun using infomercials to sell their wares, refer customers to retailers, recruit members, or attract buyers to their online, mobile, and social media sites.

A more recent form of direct-response television marketing is *interactive TV (iTV)*, which lets viewers interact with television programming and advertising. Thanks to technologies such as interactive cable systems, internet-ready smart TVs, and smartphones and tablets, consumers can now use their TV remotes, phones, or other devices to obtain more

information or make purchases directly from TV ads. For example, fashion retailer H&M recently ran ads that let viewers with certain Samsung smart TVs use their remotes to interact directly with the commercials. A small pop-up menu, shown as the ads ran, offered product information, the ability to send that information to another device, and the option to buy directly.⁴⁵

Also, increasingly, as the lines continue to blur between TV and other screens, interactive ads and infomercials are appearing not just on TV, but also on mobile, online, and social media platforms, adding even more TV-like interactive direct marketing venues. Also, most TV ads these days routinely feature web, mobile, and social media links that let multiscreen consumers connect in real time to obtain and share more information about advertised brands.

Kiosk Marketing

As consumers become more and more comfortable with digital and touchscreen technologies, many companies are placing information and ordering machines—called *kiosks* (good old-fashioned vending machines but so much more)—in stores, airports, hotels, college campuses, and other locations. Kiosks are everywhere these days, from self-service hotel and airline check-in devices, to unmanned product and information kiosks in malls, to in-store ordering devices that let you order merchandise not carried in the store. Many modern “smart kiosks” are now wireless-enabled. And some machines can even use facial recognition software that lets them guess gender and age and make product recommendations based on those data.

In Japan, everything—from flying fish soup and self-freezing bottled Coke to underwear and live puppies—is available via kiosks. Consumers can expand their Lego collections at German train stations, get the latest trainers from London’s Carnaby Street, drink freshly ground coffee in the United States, eat hot mashed potatoes in Singapore, and purchase live crabs in subway stations in China, all from kiosks open 24/7. Even gold is available in kiosks; Gold to Go, a company operating ATM machines that dispense gold coins and bars, started in Germany and has now expanded throughout the Middle East.

ZoomSystems creates small, freestanding kiosks called ZoomShops for retailers ranging from Apple, Sephora, and The Body Shop to Macy’s and Best Buy. For example, 100 Best Buy Express ZoomShop kiosks across the country—conveniently located in airports, busy malls, military bases, retail stores, and resorts—automatically dispense an assortment of portable media players, digital cameras, gaming consoles, headphones, phone chargers, travel gadgets, and other popular products. According to ZoomSystems, today’s automated retailing “offers [consumers] the convenience of online shopping with the immediate gratification of traditional retail.”⁴⁶



● **Kiosk marketing:** This Gold-to-go machine is a vending machine that dispenses items made of pure gold.

Marijan Murat/dpa picture alliance archive/Alamy Stock Photo

Author Comment Although we mostly benefit from direct and digital marketing, like most other things in life, they have a dark side as well. Marketers and customers alike must guard against irritating or harmful direct and digital marketing practices.

Public Policy Issues in Direct and Digital Marketing

Direct marketers and their customers usually enjoy mutually rewarding relationships. Occasionally, however, a darker side emerges. The aggressive and sometimes shady tactics of a few direct marketers can bother or harm consumers, giving the entire industry a black eye. Abuses range from simple excesses that irritate consumers to instances of unfair practices or even outright deception and fraud. The direct marketing industry has also faced growing privacy concerns, and online marketers must deal with internet and mobile security issues.

Irritation, Unfairness, Deception, and Fraud

Direct marketing excesses sometimes annoy or offend consumers. For example, most of us dislike direct-response TV commercials that are too loud, long, and insistent. Our mailboxes fill up with unwanted junk mail, our email inboxes bulge with unwanted spam, and our computer, phone, and tablet screens flash with unwanted online or mobile display ads, pop-ups, or popunders.



● Internet fraud has multiplied in recent years. The FBI's Internet Crime Complaint Center provides consumers with a convenient way to alert authorities to suspected violations.

FBI

Beyond irritating consumers, some direct marketers have been accused of taking unfair advantage of impulsive or less-sophisticated buyers. Television shopping channels, enticing websites, and program-long infomercials targeting television-addicted shoppers seem to be the worst culprits. They feature smooth-talking hosts, elaborately staged demonstrations, claims of drastic price reductions, “while they last” time limitations, and unequaled ease of purchase to inflame buyers who have low sales resistance.

Fraudulent schemes, such as investment scams or phony collections for charity, have also multiplied in recent years. *Internet fraud*, including identity theft and financial scams, has become a serious problem. ● According to the Internet Crime Complaint Center, since 2005, internet scam complaints have more than tripled to almost 275,000 per year. Last year, the monetary loss of scam complaints exceeded \$800 million.⁴⁷

One common form of internet fraud is *phishing*, a type of identity theft that uses deceptive emails and fraudulent online sites to fool users into divulging their personal data. For example, consumers may receive an email, supposedly from their bank or credit card company, saying that their account's security has been compromised. The sender asks them to log on to a provided web address and confirm their account number, password, and perhaps even their Social Security number. If they follow the instructions, users are actually turning this sensitive information over to scam artists. Although many consumers are now aware of such schemes, phishing can be extremely costly to those caught in the net. It also damages the brand identities of legitimate online marketers who have worked to build user confidence in web, email, and other digital transactions.

Many consumers also worry about *online and digital security*. They fear that unscrupulous snoopers will eavesdrop on their online transactions and social media postings, picking up personal information or intercepting credit and debit card numbers. Although online shopping is now commonplace, one recent study indicated that 70 percent of participants were still concerned about identity theft. Such concerns are often justified in this age of mass consumer data breaches by organizations ranging from retailers, telecommunications services, and banks to health-care providers and the government. According to one source, there were 781 major data security breaches in the United States last year alone.⁴⁸

Another internet marketing concern is that of *access by vulnerable or unauthorized groups*. For example, marketers of adult-oriented materials and sites have found it difficult to restrict access by minors. Although Facebook, Snapchat, Twitter, Instagram, and other social networks allow no children under age 13 to have profiles, all have significant numbers of underage users. Young social media users can be especially vulnerable to identity theft schemes, revealing personal information, negative experiences, and other online dangers. Concerned state and national lawmakers are currently debating bills that would help better protect children online. Unfortunately, this requires the development of technology solutions, and as Facebook puts it, “That’s not so easy.”⁴⁹

Consumer Privacy

Invasion of privacy is perhaps the toughest public policy issue now confronting the direct marketing industry. Consumers often benefit from database marketing; they receive more offers that are closely matched to their interests. However, many critics worry that marketers may know *too* much about consumers' lives and that they may use this knowledge to take unfair advantage of consumers. At some point, they claim, the extensive use of databases intrudes on consumer privacy. Consumers, too, worry about their privacy. Although they are now much more willing to share personal information and preferences with marketers via digital and social media, they are still nervous about it. One recent survey found that 92 percent of U.S. internet users worry about their privacy online. Another found that more than 90 percent of Americans feel they have lost control over the collection and use by companies of their personal data and information they share on social media sites.⁵⁰

In these days of “big data,” it seems that almost every time consumers post something on social media or send a tweet, visit a website, enter a sweepstakes, apply for a credit

card, or order products by phone or online, their names are entered into some company's already bulging database. Using sophisticated big data analytics, direct marketers can mine these databases to "microtarget" their selling efforts. Most marketers have become highly skilled at collecting and analyzing detailed consumer information both online and offline. Even the experts are sometimes surprised by how much marketers can learn. Consider this account by one *Advertising Age* reporter:⁵¹

I'm no neophyte when it comes to targeting—not only do I work at *Ad Age*, but I cover direct marketing. Yet even I was taken aback when, as an experiment, we asked the database-marketing company to come up with a demographic and psychographic profile of me. Was it ever spot-on. Using only publicly available information, it concluded my date of birth, home phone number, and political-party affiliation. It gleamed that I was a college graduate, that I was married, and that one of my parents had passed away. It found that I have several bank, credit, and retail cards at "low-end" department stores. It knew not just how long I've lived at my house but how much it cost, how much it was worth, the type of mortgage that's on it, and—within a really close ballpark guess—how much is left to pay on it. It estimated my household income—again nearly perfectly—and determined that I am of British descent.

But that was just the beginning. The company also nailed my psychographic profile. It correctly placed me into various groupings such as: someone who relies more on their own opinions than the recommendations of others when making a purchase; someone who is turned off by loud and aggressive advertising; someone who is family-oriented and has an interest in music, running, sports, computers, and is an avid concert-goer; someone who is never far from an internet connection, generally used to peruse sports and general news updates; and someone who sees health as a core value. Scary? Certainly.

Some consumers and policy makers worry that the ready availability of information may leave consumers open to abuse. For example, they ask, should credit card companies be allowed to make data on their millions of cardholders worldwide available to merchants who accept their cards? Is it right for states to sell the names and addresses of driver's license holders, along with height, weight, and gender information, allowing apparel retailers to target tall or overweight people with special clothing offers? Or is it right for telecommunications companies to make mobile phone usage data available to data analytics firms that then sell customer insights to marketers? For example, SAP's Consumer Insight 365 unit gleans and sells customer insights from up to 300 mobile call, web surfing, and text messaging events per day for each of 20 million to 25 million mobile subscribers from data supplied by mobile operators.⁵²

A Need for Action

To curb direct marketing excesses, various government agencies are investigating not only do-not-call lists but also do-not-mail lists, do-not-track-online lists, and Can Spam legislation. In response to online privacy and security concerns, the federal government has considered numerous legislative actions to regulate how online, social media, and mobile operators obtain and use consumer information. For example, Congress is drafting legislation that would give consumers more control over how online information is used. In addition, the FTC is taking a more active role in policing online privacy.

All of these concerns call for strong actions by marketers to monitor and prevent privacy abuses before legislators step in to do it for them. For example, to head off increased government regulation, six advertiser groups—the American Association of Advertising Agencies, the American Advertising Federation, the Association of National Advertisers, the Direct Marketing Association, the Interactive Advertising Bureau, and the Network Advertising Initiative—issued a set of online advertising principles through the Digital Advertising Alliance. Among other measures, the self-regulatory principles call for online and mobile marketers to provide transparency and choice to consumers if online viewing data are collected or used for targeting interest-based advertising. ● The ad industry uses an *advertising option icon*—a little "i" inside a triangle—that it adds to behaviorally targeted online ads to tell consumers why they are seeing a particular ad and allowing them to opt out.⁵³

Of special concern are the privacy rights of children. In 2000, Congress passed the Children's Online Privacy Protection Act (COPPA), which requires online operators targeting children to post privacy policies on their sites. They must also notify parents about any information they're gathering and obtain parental consent before collecting personal information from children under age 13. With the subsequent advent of online



● **Consumer privacy: The ad industry has agreed on an advertising option icon that will tell consumers why they are seeing a particular ad and allow them to opt out.**

Digital Advertising Alliance

social media, mobile phones, and other digital technologies, Congress in 2013 extended COPPA to include “identifiers such as cookies that track a child’s activity online, as well as geolocation information, photos, videos, and audio recordings.” The main concern is the amount of data mined by third parties from social media as well as social media’s own hazy privacy policies.⁵⁴

Many companies have responded to consumer privacy and security concerns with actions of their own. Still others are taking an industry-wide approach. For example, TRUSTe, a nonprofit self-regulatory organization, works with many large corporate sponsors, including Microsoft, Yahoo!, AT&T, Facebook, Disney, and Apple, to audit privacy and security measures and help consumers navigate the internet safely. According to the company’s website, “TRUSTe believes that an environment of mutual trust and openness will help make and keep the internet a free, comfortable, and richly diverse community for everyone.” To reassure consumers, the company lends its TRUSTe privacy seal to websites, mobile apps, email marketing, and other online and social media channels that meet its privacy and security standards.⁵⁵

The direct marketing industry as a whole is also addressing public policy issues. For example, in an effort to build consumer confidence in shopping direct, the Direct Marketing Association—the largest association for businesses practicing direct, database, and interactive marketing, including nearly half of the *Fortune* 100 companies—launched a “Privacy Promise to American Consumers.” The Privacy Promise requires that all DMA members adhere to a carefully developed set of consumer privacy rules. Members must agree to notify customers when any personal information is rented, sold, or exchanged with others. They must also honor consumer requests to opt out of receiving further solicitations or having their contact information transferred to other marketers. Finally, they must abide by the DMA’s Preference Service by removing the names of consumers who do not wish to receive mail, phone, or email offers.⁵⁶

Direct marketers know that, if left untended, such direct marketing abuses will lead to increasingly negative consumer attitudes, lower response and engagement rates, and calls for more restrictive state and federal legislation. Most direct marketers want the same things that consumers want: honest and well-designed marketing offers targeted only toward consumers who will appreciate and respond to them. Direct marketing is just too expensive to waste on consumers who don’t want it.

17

Reviewing and Extending the Concepts

OBJECTIVES REVIEW AND KEY TERMS

Objectives Review

This chapter is the last of four chapters covering the final marketing mix element—promotion. The previous chapters dealt with advertising, public relations, personal selling, and sales promotion. This one investigates the burgeoning field of direct and digital marketing, including online, social media, and mobile marketing.

OBJECTIVE 17-1 Define *direct and digital marketing* and discuss their rapid growth and benefits to customers and companies. (pp 512–514)

Direct and digital marketing involve engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships. Companies use direct marketing to tailor their offers and content to the needs and interests of narrowly defined segments or individual buyers to build direct customer

engagement, brand community, and sales. Today, spurred by the surge in internet usage and buying and by rapid advances in digital technologies—from smartphones, tablets, and other digital devices to the spate of online social and mobile media—direct marketing has undergone a dramatic transformation.

For buyers, direct and digital marketing are convenient, easy to use, and private. They give buyers anywhere, anytime access to an almost unlimited assortment of products and buying information. Direct marketing is also immediate and interactive, allowing buyers to create exactly the configuration of information, products, or services they desire and then order them on the spot. Finally, for consumers who want it, digital marketing through online, mobile, and social media provides a sense of brand engagement and community—a place to share brand information and experiences with other brand fans. For sellers, direct and digital marketing are powerful tools for building customer engagement and close, personalized, interactive customer relationships. They also offer greater flexibility, letting marketers make ongoing adjustments to prices and programs

or make immediate, timely, and personal announcements and offers.

OBJECTIVE 17-2 Identify and discuss the major forms of direct and digital marketing. (pp 514–515)

The main forms of direct and digital marketing include traditional direct marketing tools and the new digital marketing tools. Traditional direct approaches are face-to-face personal selling, direct-mail marketing, catalog marketing, telemarketing, DRTV marketing, and kiosk marketing. These traditional tools are still heavily used and very important in most firms' direct marketing efforts. In recent years, however, a dazzling new set of direct digital marketing tools has burst onto the marketing scene, including online marketing (websites, online ads and promotions, email, online videos, and blogs), social media marketing, and mobile marketing. The chapter first discusses the fast-growing new digital direct marketing tools and then examines the traditional tools.

OBJECTIVE 17-3 Explain how companies have responded to the internet and the digital age with various online marketing strategies. (pp 515–521)

The internet and digital age have fundamentally changed customers' notions of convenience, speed, price, product information, service, and brand interactions. As a result, they have given marketers a whole new way to create customer value, engage customers, and build customer relationships. The internet now influences a large proportion of total sales—including sales transacted online plus those made in stores but encouraged by online research. To reach this burgeoning market, most companies now market online.

Online marketing takes several forms, including company websites, online advertising and promotions, email marketing, online video, and blogs. Social media and mobile marketing also take place online. But because of their special characteristics, we discuss these fast-growing digital marketing approaches in separate sections. For most companies, the first step in conducting online marketing is to create a website. The key to a successful website is to create enough value and engagement to get consumers to come to the site, stick around, and come back again.

Online advertising has become a major promotional medium. The main forms of online advertising are display ads and search-related ads. Email marketing is also an important form of digital marketing. Used properly, email lets marketers send highly targeted, tightly personalized, relationship-building messages. Another important form of online marketing is posting digital video content on brand websites or social media. Marketers hope that some of their videos will go viral, engaging consumers by the tens of millions. Finally, companies can use blogs as effective means of reaching customer communities. They can create their own blogs and advertise on existing blogs or influence content there.

OBJECTIVE 17-4 Discuss how companies use social media and mobile marketing to engage consumers and create brand community. (pp 521–527)

In the digital age, countless independent and commercial social media have arisen that give consumers online places to congregate, socialize, and exchange views and information. Most marketers are now riding this huge social media wave. Brands can use existing social media or they can set up their own. Using existing social media seems the easiest. Thus, most

brands—large and small—have set up shop on a host of social media sites. Some of the major social networks are huge; other niche social media cater to the needs of smaller communities of like-minded people. Beyond these independent social media, many companies have created their own online brand communities. More than making just scattered efforts and chasing “Likes” and tweets, most companies are integrating a broad range of diverse media to create brand-related social sharing, engagement, and customer community.

Using social media presents both advantages and challenges. On the plus side, social media are targeted and personal, interactive, immediate and timely, and cost-effective. Perhaps the biggest advantage is their engagement and social sharing capabilities, making them ideal for creating customer community. On the down side, consumers' control over social media content makes social media difficult to control.

Mobile marketing features marketing messages, promotions, and other content delivered to on-the-go consumers through their mobile devices. Marketers use mobile marketing to engage customers anywhere, anytime during the buying and relationship-building processes. The widespread adoption of mobile devices and the surge in mobile web traffic have made mobile marketing a must for most brands, and almost every major marketer is now integrating mobile marketing into its direct marketing programs. Many marketers have created their own mobile online sites. Others have created useful or entertaining mobile apps to engage customers with their brands and help them shop.

OBJECTIVE 17-5 Identify and discuss the traditional direct marketing forms and overview the public policy and ethical issues presented by direct marketing. (pp 528–534)

Although the fast-growing digital marketing tools have grabbed most of the headlines lately, traditional direct marketing tools are very much alive and still heavily used. The major forms are face-to-face or personal selling, direct-mail marketing, catalog marketing, telemarketing, direct-response television (DRTV) marketing, and kiosk marketing.

Direct-mail marketing consists of the company sending an offer, announcement, reminder, or other item to a person at a specific address. Some marketers rely on catalog marketing—selling through catalogs mailed to a select list of customers, made available in stores, or accessed online. Telemarketing consists of using the telephone to sell directly to consumers. DRTV marketing has two forms: direct-response advertising (or infomercials) and interactive television (iTV) marketing. Kiosks are information and ordering machines that direct marketers place in stores, airports, hotels, and other locations.

Direct marketers and their customers usually enjoy mutually rewarding relationships. Sometimes, however, direct marketing presents a darker side. The aggressive and sometimes shady tactics of a few direct marketers can bother or harm consumers, giving the entire industry a black eye. Abuses range from simple excesses that irritate consumers to instances of unfair practices or even outright deception and fraud. The direct marketing industry has also faced growing concerns about invasion-of-privacy and internet security issues. Such concerns call for strong action by marketers and public policy makers to curb direct marketing abuses. In the end, most direct marketers want the same things that consumers want: honest and well-designed marketing offers targeted only toward consumers who will appreciate and respond to them.

Key Terms

OBJECTIVE 17-1

Direct and digital marketing (p 512)

OBJECTIVE 17-2

Digital and social media marketing (p 515)

OBJECTIVE 17-3

Omni-channel retailing (p 516)

Online marketing (p 516)
Marketing website (p 516)
Branded community website (p 516)

Online advertising (p 517)
Email marketing (p 518)
Spam (p 519)
Viral marketing (p 519)
Blogs (p 520)

OBJECTIVE 17-4

Social media (p 521)
Mobile marketing (p 525)

OBJECTIVE 17-5

Direct-mail marketing (p 528)
Catalog marketing (p 529)
Telemarketing (p 529)
Direct-response television (DRTV) marketing (p 530)

DISCUSSION AND CRITICAL THINKING

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Go to **mymktlab.com** to complete the problems marked with this icon ★.

Discussion Questions

- 17-1** Discuss the benefits of direct and digital marketing to buyers and sellers. (AACSB: Communication)
- ★ **17-2** What are the main purposes of a marketing website? (AACSB: Communication)
- ★ **17-3** How does viral marketing work? Is it effective? Are there aspects about it that mean that the business cannot control it? Is this a problem? (AACSB: Communication)
- ★ **17-4** With a dominant internet presence, is there still a place for catalog marketing? (AACSB: Communication)
- 17-5** What is phishing, and how does it affect internet marketing? (AACSB: Communication; Reflective Thinking)

Critical Thinking Exercises

- 17-6** In a small group, search the internet to locate a controversial or failed social media campaign. Present an analysis of the failed campaign. Make a recommendation on how to address the controversy. (AACSB: Use of IT; Communication; Reflective Thinking)
- ★ **17-7** Review the Telephone Consumer Protection Act and discuss a recent case in which a marketer was fined for violating the act. (AACSB: Communication; Use of IT; Reflective Thinking)
- 17-8** Although mobile advertising makes up a small percentage of online advertising, it is one of the fastest-growing advertising channels. But one obstacle is measuring return on investment in mobile. How are marketers measuring the return on investment in mobile advertising? Develop a presentation suggesting metrics marketers should use to measure effectiveness of mobile advertising. (AACSB: Communication; Use of IT; Reflective Thinking)

APPLICATIONS AND CASES

Online, Mobile, and Social Media Marketing On the Move

According to Google's Consumer Barometer, an interactive digital consumer insights tool, some 35 percent of UAE and Saudi Arabian under-35s go online using either smartphones or tablets. The 2016 data suggests that 30 percent of UAE residents prefer mobile devices compared to traditional desktops; in Saudi Arabia, this is 32 percent. In both countries, over 70 percent of

smartphone owners prefer to carry out tasks, including product searches and purchases, using their smartphones. Despite some continued reluctance over online security and product quality, 24 percent of the population of the United Arab Emirates had recently made a purchase online. In Saudi Arabia, this figure was 33 percent. Consumers in both countries use mobile internet

connections to search for information and reviews of local businesses in addition to making enquiries and purchases abroad. In the United Arab Emirates, 54 percent of users searched for prices of local products online; in Saudi Arabia this was lower, at 45 percent. It does mean that local as well as international businesses have potential opportunities in the United Arab Emirates and Saudi Arabia. Typically, consumers were interested in contact information, location, and business hours. For businesses, there are encouraging signs in the younger generations. Some 85 percent of under-25s in Saudi Arabia researched a recent purchase using their smartphone. In the United Arab Emirates, this figure was 57 percent but showed all signs of future growth.

Marketing Ethics #Fail

According to one survey, 92 percent of U.S. companies now claim that social media marketing is important for their businesses. Fashion designer Kenneth Cole took advantage of the trend in 2011 by posting the following tweet: “Millions are in uproar in #Cairo. Rumor is they heard our new spring collection is now available online at <http://bit.ly/KCairo> -KC.” Kenneth Cole was criticized on social media for capitalizing on the strife of the Egyptian revolution to promote his website. The offensive tweet was deleted, and Cole apologized by tweeting: “Re Egypt tweet: we weren’t intending to make light of a serious situation. We understand the sensitivity of this historic moment -KC.”

Most marketers would not make the same mistake twice. However, in September 2013, as the United States deliberated military action in Syria, Cole tweeted the following: “‘Boots on the ground’ or not, let’s not forget about sandals, pumps and loafers. #Footwear.” To justify this action, Cole told *Details* magazine, “Billions of people read my inappropriate, self-promoting tweet. I got a lot of harsh responses, and we hired a crisis management firm. If you look at lists of the biggest Twitter gaffes ever, we’re

17-9 What local businesses in your community are using online, social media, or mobile marketing? Interview the owner or manager of one of the businesses to learn how he or she uses these marketing activities and how satisfied he or she is with the activities. (AACSB: Communication; Reflective Thinking)

17-10 Mobile marketing can be confusing for a small business owner. Develop a presentation for small business owners that describes mobile marketing, its advantages and disadvantages, and examples of how small businesses are using mobile marketing. (AACSB: Communication; Reflective Thinking)

always one through five. But our stock went up that day, our e-commerce business was better, the business at every one of our stores improved, and I picked up 3,000 new followers on Twitter. So on what criteria is this a gaffe? Within hours, I tweeted an explanation, which had to be vetted by lawyers. I’m not even sure I used the words I’m sorry—because I wasn’t sorry.”

17-11 Kenneth Cole believes that his controversial tweets improve business and provoke conversation and awareness. Is this an effective use of social media to engage customers with the brand? Why or why not? (AACSB: Communication; Reflective Thinking)

17-12 Many marketers are still learning how to use social media platforms effectively to engage customers in meaningful relationships. Locate three social media platforms used by the Kenneth Cole brand to engage customers. Is the brand’s marketing message consistent across all platforms? Explain. (AACSB: Communication; Use of IT; Reflective Thinking)

Marketing by the Numbers Field Sales versus Telemarketing

Many companies are realizing the efficiency of telemarketing in the face of soaring sales force costs. Whereas an average business-to-business sales call by an outside salesperson costs \$600, the cost of a telemarketing sales call can be as little as \$20 to \$30. And telemarketers can make 20 to 33 decision-maker contacts per day to a salesperson’s four per day. This has gotten the attention of many business-to-business marketers, where telemarketing can be very effective.

17-13 Refer to Appendix 2, Marketing by the Numbers, to determine the marketing return on sales (marketing ROS) and return on marketing investment (marketing ROI) for Company A and Company B in the chart at right. Which company is performing better? Explain. (AACSB: Communication; Analytical Reasoning; Reflective Thinking)

	Company A (sales force only)	Company B (telemarketing only)
Net sales	\$1,000,000	\$850,000
Cost of goods sold	\$ 500,000	\$425,000
Sales expenses	\$ 300,000	\$100,000

17-14 Should all companies consider reducing their sales forces in favor of telemarketing? Discuss the pros and cons of this action. (AACSB: Communication; Reflective Thinking)

Video Case Nutrisystem

You’ve probably heard of Nutrisystem, a company that produced \$800 million in revenues last year by selling weight-loss products. What started as a small effort based on an e-commerce marketing plan has evolved into a multipronged marketing campaign

that not only has expanded the business but also provides substantial return-on-investment potential.

The key to Nutrisystem’s efforts is its direct-to-consumer platform. Using various advertising outlets, from magazines

to television, Nutrisystem's promotions all have one thing in common—they let customers make direct contact with the company. Inserting a unique URL or 800 number in every ad also lets Nutrisystem track the success of each and every effort.

After viewing the video featuring Nutrisystem, answer the following questions:

- 17-15** In what different ways does Nutrisystem engage in direct marketing?
- 17-16** What advantages does Nutrisystem's marketing campaign have over selling through intermediary channels?
- 17-17** In addition to its direct-to-consumer distribution and promotional efforts, what is essential to the success of Nutrisystem?

Company Case Alibaba: The World's Largest E-tailer Is Not Amazon

There's a new king of e-commerce, and it dwarfs Amazon. Introducing Alibaba, the China-based behemoth that sold more than \$485 billion worth of goods and services last year and is rapidly building an online empire that will include businesses ranging from a traditional online marketplace to online investment services. As successful as Amazon has been, its annual sales of \$107 billion are but a fraction of what Alibaba pulled in. In fact, with last year's take, Alibaba surpassed Walmart to become the largest company on the planet. How is this Chinese upstart pulling off such a startling internet and retailing feat? Let's start by looking at Alibaba's founder, Jack Ma.

Unlikely Beginnings

Jack Ma is an unlikely figure to be atop of one of the world's most powerful companies. Time and again, U.S. tech start-ups have emerged from California garages. However, perhaps none of those start-ups were founded by individuals as seemingly unprepared as Ma. Growing up in Shanghai, Ma did poorly in school. He failed the college entrance exam twice before getting in and completing a teaching degree. He learned to speak English by hanging out around tourists and listening to radio broadcasts. Ma was rejected for a number of jobs—including being a manager for KFC—before finally landing a job teaching English for \$12 a month.

But Ma was animated and energetic, and he had lofty goals and ambitions, a combination that earned him the nickname "Crazy Jack." During China's export boom in the 1990s, Ma started a translation company. On a business trip to the United States, he was exposed to the World Wide Web and was surprised to find almost no Chinese content. After a failed attempt at starting an internet company in China, Ma corralled 17 friends in his apartment in 1999 and set out to build an online marketplace. Substituting vision and charisma for coding skills, Ma started Alibaba.com only a few years after legendary e-commerce marketers Amazon and eBay got their starts.

Feeding the Masses

It's difficult to examine Alibaba without making comparisons to the more globally familiar online sellers. In fact, Alibaba is often referred to as the "Amazon of China." But it's the differences between Alibaba and the Amazons, eBays, Googles, Walmarts, Costcos, Sears, and thousands of other successful e-tailers that explain how the Chinese company has grown so big and will grow so much bigger in the future.

For starters, consider the respective domestic markets. Amazon and the others got their starts in the United States, home to roughly 320 million people. This market serves up the most developed retail industry and the highest standard of living in the world. As the tech boom took off, numerous ambitious upstarts competed fiercely to transfer America's retail businesses into the quickly developing space. Tech-savvy U.S. consumers scrambled to convert some of their buying from brick-and-mortar stores to online purchases.

Contrast this with China. With 1.3 billion people and the fastest-growing economy in the world, the Chinese market has tremendous power and potential. But perhaps more important, China's retail sector was still in the Dark Ages when Alibaba got its start. "E-commerce in the United States is like a dessert. It's just supplementary to your main business," Ma said recently. "In China, because the infrastructure of [traditional retail] commerce is [so] bad, e-commerce becomes the main course."

As many Chinese moved from poverty to middle-class status, their exposure to buying online coincided with their exposure to any kind of buying. Relative to the U.S. market, there were relatively few competitors. The size and nature of China's market have Alibaba boasting more than 420 million active users, a base that comfortably exceeds the size of the entire population of the United States. And internet penetration in China is still only 52 percent compared with the much more saturated 88 percent in the United States, providing enormous growth potential.

In adapting traditional retail to an online environment, Amazon and the other U.S. e-tailers operate a "managed marketplace"—they own their own distribution centers, sell a majority of their products directly, and even market their own brands, all characteristics that mimic traditional retail structures. This allows U.S. e-tailers to benefit from established distribution channels and to maintain a great deal of control over their operations. But it also requires massive investments in infrastructure and armies of employees, both of which result in wafer-thin profit margins. In fact, for two of the past four years, Amazon has lost money. For the other two years, the biggest profit it could muster was only 0.5 percent of sales. Walmart's profit margin percentages for both online and offline sales are typically in the low single digits.

But Alibaba does not own or operate massive distribution centers. It doesn't own the items sold on its sites. And it only employs about 36,000 people, a fraction of Amazon's 230,000 employees. Instead, Alibaba's open market platform simply connects buyers with sellers. That might sound like an eBay approach, but Ma insists that it is not. "Amazon and eBay are e-commerce companies, and Alibaba is not an e-commerce company," Ma said recently. "Alibaba helps others to do e-commerce. We do not sell things." While this gives Alibaba less control over the customer experience, Ma sleeps easier at night without the burden of obsessing over keeping prices low. As market forces work to set price points, Alibaba sits back and watches the cash pour in. Its profit margin over the past three years averaged about 40 percent.

A Little of Everything

The continuous influx of cash has allowed Alibaba to invest in just about every kind of business imaginable. In its infancy, Alibaba.com primarily matched Chinese exporters with businesses throughout the rest of the world. But the company quickly shifted focus, catering to the growing purchasing power of its domestic

market. Unlike its Western counterparts, Alibaba developed and acquired different online sites and established major divisions. For example, Taobao.com is a site that helps small businesses and private parties sell merchandise to customers. But unlike eBay's commission structure, Taobao sellers pay only for the advertised promotion. From a shopping standpoint, Alibaba's Tmall.com is more similar to Amazon, pairing customers with big corporations, including many global corporations such as Nike, P&G, Apple, and even retailers like Costco.

But Alibaba's development has taken it down numerous other paths as well. And although it may seem that the surging Chinese conglomerate is simply playing copycat, Ma's vision plays out creatively in every case. For example, Alipay is similar to PayPal. But starved for investment opportunities in an environment dominated by state-run banks, Alipay customers have access to financial products that pay attractive returns. In the first year of making such options available, Alipay customers tucked away \$82 billion.

In another example of "follow the Silicon Valley guru," the soon-to-be-launched Tmall Box Office—or TBO—"aims to become [the equivalent] of Netflix in the U.S.," including plans to run original content produced by Alibaba's own Alibaba Pictures. But in an environment where TV viewers aren't accustomed to the pay-to-watch model, Alibaba is a true pioneer. And that pioneering effort extends to a crowdsourced film investment fund, a model that threatens to upend traditional film financing in China by allowing regular folks to become producers with less risk.

Alibaba has spent billions investing in start-up firms. Today, the Alibaba Group spreads out over a constellation of services and technologies, including music, gaming, blogs, social networks, event ticket sales, shipping, ridesharing, wearables, and smartphones. On well-known U.S. interests, Alibaba has invested \$200 million in Snapchat and \$1 billion in Lyft, and it recently bought up 5.6 percent of languishing Groupon. Apparently, Mr. Ma sees something in the daily deals market that others don't.

As Alibaba's list of businesses grows, Ma's vision and innovation seem unbounded. After all, how many U.S. internet veterans can say they started their own holiday? Just seven years ago, Ma enthusiastically launched Singles Day on November 11. What started as a sort of anti-Valentine's Day for single people is now one of the biggest blockbuster sales holidays in the world. Last year, it resulted in \$14.3 billion in sales in a 24-hour period, almost five times what fanatical U.S. residents spent on Cyber Monday across all ecommerce companies combined.

With a goal of doubling its current revenues by 2020, one frontier looms large for Alibaba—global expansion. Although China's biggest dot.com success certainly has global ambitions, it has so far chosen to focus on the massive potential of its home market. That will change. "We plan to invest more in [the U.S. and U.K. markets] to get more traffic and...build brand awareness," says Joe Yan, director of international B2C at Alibaba's export division. "Our biggest advantage is abundance—with 100 million products, we have more options for customers who can buy our products cheaper and at high quality." And while it remains to be

seen how Alibaba will attack global markets, one analyst recently predicted a future marriage down the road of Alibaba and eBay.

At the same time, U.S. companies such as Netflix and Amazon are exploring ways to expand their small presence in China. However, although the massive markets on both sides of the pond represent opportunities too tempting to pass up, only time will tell whether any of these U.S. companies can export the models they have applied so successfully in their home markets.

As U.S. competitors try to counter Alibaba, they will face one more big hurdle. The Chinese love Jack Ma. For their own part, U.S. tech founders such as Bezos, Zuckerberg, Brin and Page, and the late Steve Jobs are considered visionaries who have shaped the world's digital ecosystem. But the Chinese revere Mr. Ma, the man who turned a local underdog into a dominant giant with revenues bigger than Amazon, Facebook, Google, and Apple combined. Those kinds of patriotic emotions will be tough to crack.

Questions for Discussion

- 17-18** As a digital retailer, how does Alibaba provide value to Chinese consumers? What sets of values are unique to the Chinese market?
- 17-19** Given that Alibaba does not own or distribute any of the merchandise exchanged on its sites, describe what factors had to develop for the company to succeed.
- 17-20** Analyze Alibaba's business model relative to all the different forms of digital and online marketing covered in this chapter.
- 17-21** Can Alibaba succeed in countries outside of China? Why or why not?

Sources: Melanie Lee, "Alibaba Breaks 3 Trillion RMB Milestone," *Forbes*, March 21, 2016, www.forbes.com/sites/melanieleest/2016/03/21/alibaba-groups-3-trillion-rmb-breakthrough/#78cf4ba22a43; Jason Lim, "Alibaba Group FY2016 Revenue Jumps 33%," *Forbes*, May 5, 2016, www.forbes.com/sites/jlim/2016/05/05/alibaba-fy2016-revenue-jumps-33-ebitda-up-28/#25890c0e61a9; Kathy Chu and Sarah Nassauer, "Alibaba Acknowledges Looming Challenges," *Wall Street Journal*, March 21, 2016, www.wsj.com/articles/alibaba-to-announce-transaction-volume-milestone-3-trillion-yuan-1458539799; Aaron Back, "Alibaba Dreams of E-commerce Globally but Acts Locally," *Wall Street Journal (Eastern Edition)*, June 24, 2015, p. C12; Jillian D'Onfro, "How Jack Ma Went from Being a Poor School Teacher to Turning Alibaba into a \$160 Billion Behemoth," *Business Insider*, September 14, 2014, www.businessinsider.com/the-story-of-jack-ma-founder-of-alibaba-2014-9#ixzz3dqFm4M9B; Charles Riley, "Alibaba Is Not the Amazon of China," *CNNMoney*, September 16, 2014, <http://money.cnn.com/2014/09/15/investing/alibaba-amazon-china/>; Mohanbir Sawhney and Sanjay Khosla, "Alibaba vs. Amazon: Who Will Win the Global E-Commerce War?" *Forbes*, September 22, 2014, www.forbes.com/sites/forbesleadershipforum/2014/09/22/alibaba-vs-amazon-who-will-win-the-global-e-commerce-war/; and Paul Carsten, "Alibaba's Singles' Day Sales Surge 60 Percent to \$14.3 Billion," *Reuters*, November 11, 2015, www.reuters.com/article/us-alibaba-singles-day-idUSKCN0S234J20151112.

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Go to **mymktlab.com** for the following Assisted-graded writing questions:

- 17-22** What public policy issues are related to direct and digital marketing?
- 17-23** Compare and contrast a marketing website and a branded community website.