

Digital Marketing

strategy & tactics

Instructor Lecture Guide

CHAPTER 1

Digital Marketing and the 4 P's

1 or 2 sessions

Getting Started with the Course

Before you jump into Chapter 1, I will provide a general overview of how I grade students in my courses, and the types of homework and in-class exercises used in my own classroom.

Final Exam: 50%

Group Project: 30%

Class participation: 10% – Comments in class and participation in discussions in class.

Homework: 10% – To both ensure the students follow the always-changing world of digital marketing, a class blog is the homework—suggested one blog post per week with the first week and last week exempted in a ten-week course. Topics can be anything related to the digital marketing world, from current events (privacy and data breaches, Facebook business) to class topics. This also ensures that students learn the power and ease of a modern content management system (CMS—the blog platform) and can be used as a live example of how it impacts SEO and social sharing, as well as other technical issues.

There are many free platforms—Google-owned Blogger.com is one we use—and using the platform to teach SEO (in class 2) or social sharing (in the social media classes) can provide hands-on learning. An added advanced bonus is using Google Analytics (the free website analytics tool) for the blog can be a risk-free and directly hands-on way for the class to discuss web analytics and see the impacts.

Lectures are generally set up in the following way, adjusted for availability of speakers, class discussions, question and answers, and other time-based factors. Generally, each week has 3 hours of lecture material if necessary, with the following guidelines:

- 1–2 hours of lecture material
- 30 minutes–1 hour of class discussion, in-class demos and practice with tools, or case study discussion
- 30 minutes–1 hour for an industry speaker on relevant topic. This could include a local digital agency executive; a digital marketing professional from a local company; an alumnus working in the industry; an academic or industry speaker, or similar relevant speaker.

Chapter Outline

- Overview of Online Marketing—why do we care?
- 4P's of Digital Marketing—why is this a theme of the book?
- Digital
 - Different
 - Growing
 - Effective
 - Dynamic

- How the 4P's have been transformed through Digital Marketing
 - Impact on Product
 - The Long Tail Effect
 - Impact on Price
 - Impact on Placement
 - Impact on Promotion
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Key Objectives

- Digital Marketing is growing exponentially (online and mobile).
 - The “4 P's” framework helps illustrate foundational points in digital marketing as well as traditional marketing.
 - Digital is different from traditional mass media in the way we advertise, the pricing models, targeting models, and the way we engage and interact with consumers.
 - The nature of what a *product* is has changed from mass produced similarity to customizable and dynamic platforms.
 - The *Long Tail* concept is based on the concept that “online” removes the constraints of physical limitations for marketers, allowing new niche markets to be profitably served.
 - Online media has forced more equal access to information through disintermediation.
 - Promotion—or where we spread marketing messages—has exploded online with many unique and powerful channels.
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Teaching Notes

- **Slide 2:** Why do we care about digital marketing separately from traditional marketing? This is important because people are spending more time in online and mobile media, so marketers are spending more and more money trying to reach them. Brands and advertising are following user behavior with budgets to reach consumers where they spend time and make purchase decisions, and this will continue for the foreseeable future. Emphasize the double digit rates and how this will be the biggest channel by spend, particularly compared to traditional media such as TV, magazines, etc. Digital is provably effective with high ROIs. Digital is different in terms of targeting and pricing and is opening up many new models for business (that we'll cover throughout the book).
- **Slide 3:** Whatever the website, the business model involves advertising. The biggest companies on the Internet depend on this revenue.
- **Slide 4:** Show the video—this is full of great factoids to get students excited and start a conversation, but be sure to highlight that digital is not optional—companies that fail to address digital in their thinking will no longer exist.

- **Slides 5–13:** Here, we're looking to emphasize the practical aspects that make digital marketing important. It's where money is currently being spent and surveys show all marketers plan on spending more so this growth will continue. There are unique opportunities for optimization and improvement, and unique ways of paying on a performance basis compared to traditional media. But digital is also composed of many unique channels from search to display to email to social, which will each have their own challenges we will dig into.
- **Slides 14–15:** The Four P's are the traditional marketing 101 framework for understanding the basics. I often approach this by polling the class on their understanding of "4P's" then revisiting how digital marketing has changed buyer behavior.

By definition, the traditional "4P's" marketing framework helps marketers focus on the ultimate business goals and results of a marketing strategy—and how to frame them and measure them for success. Looking at digital strategy and tactics in a similar way helps us understand what makes digital different and how it changes traditional marketing. We can use this framework to examine the changes. This is a great way to build a foundation for understanding digital and a good basis for class discussion or assignment.

- **Slide 16:** Often marketers will give away software and services to collect data and learn more about their customers, build better relationships, as well as to lock them in to a platform or service. This can be a way to target niche markets and even get customers to suggest new products. Customers can even suggest new products or features instead of a company committee deciding what to offer.

The Apple example is a good one to drive this home; students may all have similar smartphones, but none will have the same apps; the customization is part of the value—and the apps are often free!

- **Slide 17:** Nike example shows that changing the thinking from "I sell shoes" to "I support my customers fitness goals" allows the brand to speak to customers every day rather than just when they're ready to buy.
- **Slide 18:** LEGO example provides a free tool to "build your own" or recommend product ideas; but the data collected is valuable market research.
- **Slide 19:** Introduced by Chris Anderson suggests that the hit driven product decisions of the past were based on the limits of the real world: limited and expensive shelf space (real estate for stores); generally limited opening hours (versus 24/7 online); the need for geographic concentration of customers; and other factors. Online removes these constraints allowing niche markets to be profitably served.

The *Long Tail* is based on the classic observation that Amazon sold more of the unpopular titles of books that could never be found on shelves in stores than the best sellers in aggregate. More niche products with less volume can add up to very lucrative markets—the Internet changes the constraints of a brick and mortar business (real estate or costly shelf space) to a non-constrained, offering huge selection in any niche or product area model.

- **Slide 20:** Note the enabling technology that makes this all possible—Search and Social for product discovery for example.
- **Slide 21:** Long tail example—hot sauce superstores. Most real world stores have Tabasco and Sriracha and maybe that's it because anything else is low volume and can't justify being stocked—but online stores can offer a huge selection and it's easy to find them with Google.

- **Slide 22:** Netflix is a great example as people can watch movies and TV shows that don't have enough demand to be screened in a theater (where you need enough customers to have paying butts in seats!) or even be reruns. They also generate enough data to provide insight into new shows and revivals. (Example, *Full House* became popular and led to the revival, *Fuller House*.) Netflix can aggregate diffuse but large demand, like for documentaries or musicals or Bollywood films.
- **Slide 23:** Price is now transparent. Middleman and their proprietary data have been replaced by easy Internet access to prices and features and reviews. Consumers have access to information that was closely held and is now “disintermediated”.
- **Slide 24:** For example, travel agents and real estate agents used to be a necessity because only they had access to listings and prices; now everyone does. This gives rise to business models that aren't commission based, which aligns the interests better with the consumer.
- **Slide 25:** Hipmunk is an example—they provide travel options with a better interface, for example ranking airplane flights by ‘agony’ a measure of quality, price and likelihood to be delayed among other things. Makes consumers have better info for decision making.
- **Slide 26:** Insurance is so competitive that they provide competitors pricing to keep you on their site—it's too easy to comparison shop! What real world store tells you what the price is across the street at a rival?
- **Slide 27:** Tools and sites like RetailMeNot even provide transparency on the coupons and discounts for products. This means that it's hard for marketers to use coupons and discount codes as a tool since everyone can get them so easily—it becomes the standard price!
- **Slide 28:** Price comparison websites (Price Grabber shown here) contribute to this—it's hard for any web retailer to be too far out of line with its competitors. Paradoxically, this plays to the strengths of strong brands—we are only willing to buy from Randomsite.com because they trust the reputation of the brand they are buying and its quality.
- **Slides 29–30:** Mobile tools make price comparison not just a research phase of the purchase process, but can actually be used in store to check for better deals. This is impacting how physical retail has to present itself (again much more on this in Chapters 9 and 11).

Placement of product is also impacted. E-commerce, mobile commerce, and social commerce all provide ways to reach customers that previously had more limited selections. We can also reach customers more dynamically than traditional media; changing our minds on placement if you will, based on data and performance. Another good discussion point—advantages versus disadvantages versus traditional placement tactics?
- **Slides 31–32:** Where we buy has changed as websites (like Amazon) and mobile commerce rise. How we buy has also been impacted, with 66% of the consumers using the Internet (at least occasionally) to research purchases. A retailer without a good ecommerce experience, including mobile. will lose share to a competitor that does have one!
- **Slide 33:** This has led to new commercial models. Most manufacturers of products sold to retail chains in the past—they never had to deal with consumers directly and had little data. Now direct to consumer (and the channel conflict it engenders) is a major competitive threat, with higher margins making up for lower volume in the beginning. Gillette had to convince Walmart to give it shelf space, but Dollar Shave Club went direct.

- **Slides 34–35:** from search to banner ads, online video, and content marketing, all bring new opportunities and challenges for marketers. We will review these many options in depth in subsequent chapters. The huge growth of mobile will continue this trend of online and mobile first brands going after incumbents with new direct business models.
- **Slide 36:** Digital also provides a channel for not just acquisition, ongoing customer relationship management that was simply not possible in the past for makers of consumer goods.

Class Exercises

- Set up blog access (see class assignments). Select groups for group projects. If you choose to use another option for posting and sharing information, set this up in the first class session.
- Class discussion for Chapter 1 can center around the impact of digital and enabling technologies on people's lives.
 - Poll the class on how many are Amazon Prime members; use Venmo; use Uber (and whether they used cabs/car services prior); check reviews online before purchasing; use Seamless/OpenTable.
 - Compare desktop first to mobile first strategy.
 - Poll and compare cord cutters vs cable subscribers; owners of Google Chrome, Amazon Fire.
 - Users of stick or other digital media device.