Chapter 1:
Past, Present, and Future

Learning Objectives (PPT 1-2)

E-Marketing Landscape

What works?
The rapid growth of the Web, the subsequent bursting of the dot-com bubble, and mainstreaming of the internet and related technologies created today's climate: the comprehensive integration of e-marketing and traditional marketing to create seamless strategies and tactics.

Internet 101
The Internet is a global network of interconnected networks. Three important types of networks form part of the Internet: Intranet, Extranet, and Web.

E-Marketing is Bigger Than the Web
Many E-Marketing technologies exist that predate the Web. Non-Web Internet communication such as email and newsgroups are effective avenues for marketing.

E-Marketing is Bigger Than Technology
Easy, inexpensive, and quick access to digital information transforms individuals, businesses, economies, and societies. Technology allows for connections between individuals and communities and fosters relationship among businesses and societies

E-Marketing's Past: Web 1.0

In early years, new start-ups and well-established businesses created a Web presence in hopes of attracting huge sales and market share, but very few were successful. Between 2000 and 2002 over 500 Internet firms shut down in the United States alone. Despite this early failure, traditional brick-and-mortar retailers noted that Internet technologies had fundamentally changed the structure of theirs and several other industries. In the on-line world, marketers want to know which specific technologies will result in top line sales and bottom line profitability.

The "E" Drops From E-Marketing
The Gartner Group predicts that very soon the "e" will be dropped, making electronic business just part of the way things are done

Marketing Implications of Internet Technologies
The Internet has properties that create opportunities beyond those possible with the telephone, television, postal mail, or other communication media. These Internet properties not only allow for more effective and efficient marketing strategy and tactical implementation, but also they actually change the way marketing is conducted.

E-Marketing Today: Web 2.0

The unique properties and strengths of internet technologies provided a springboard from the first to the second generation (Web 2.0), an will allow marketers and their markets create the hot new products that capitalize on Web 2.0 technologies.
Information technology, the Internet in particular, has brought about profound changes in today's marketing practices. These changes have made traditional marketing more efficient and effective in reaching and selling to markets.

The Future: Web 3.0

The combination of increased and renewed confidence in e-marketing strategies and higher bandwidth connections have returned profitability in Internet marketing and returned profitability. Because of this increased confidence and return to profitability, many believe that other industries are ripe for restructuring.

Consumer Control – But Not Complete Control
Television remote controls and computer mice have limited the attention span of consumers and put control in the palms of their hands. Marketers are losing control due to personal video recorders and other mediums that allow consumers to have information on demand.

Appliance convergence
With the advent of digital data, the receiving of digital data signals has become both mind boggling and exciting because of the opportunities. Digital television signals can be sent through satellite, telephone wires, or cable and then viewed on a television, computer, cell phone, PDA, or other such devices. Computers, PDA's, cell phones and television sets allow all types of two way digital multimedia electronic transmissions.

Traditional and Social Media Lose Their Distinction
Marketers currently allocate advertising budgets by media type, and audiences do not discriminate between mediums. YouTube videos are not viewed differently than videos aired on NBC.

Wireless Networking Increases
General Packet Radio Service is close to being a third-generation Web device (3G). Cell phones, PDAs and Mini PCs are an indication that Web 3.0 is eminent.

Semantic Web
Invented by Tim Berners-Lee, the Semantic Web is an extension of the current Web in which information is given well-defined meaning. The Semantic Web makes it easier to access information by providing a standard definition protocol so that users can easily find information based on its type, such as a person and contact information, upcoming social events, local restaurant menus, etc.

What Will Characterize Web 3.0?
"Web 1.0 was dial-up , 50K average bandwidth, Web 2.0 is an average 1 megabit of bandwidth and Web 3.0 will be 10 megabits of bandwidth all the time which will be the full video Web, and that will feel like Web 3.0" (Reed Hastings, founder of Netflix)

Chapter Summary

E-business is the continuous optimization of a firm's business activities through digital technology. E-commerce is the subset of e-business focused on transactions. E-marketing is the *use of information technology* in the processes of creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders. It is the application of information technology to traditional marketing practices.

The dynamic e-marketing environment poses competitive, economic, and other threats even as it offers opportunities to develop new products, new markets, new media, and new channels. Individual buyers have more power because of the television remote control, computer mouse, and the ability to compare products and pricing online, and the ability to upload content that affects bran images. Web 2.0 communities form online to discuss products, share files, and more, and this activity is out of marketer's control. Most businesses in developed nations have adopted at least some information technologies, however, they continue to strive for effective and efficient IT use to entice and sell to buyers. The Internet deeply affects the citizens of many countries.

The Internet consists of computers with data, users who send and receive the data files, and a technology infrastructure to move, crate, and view or listen to the content. An intranet is a network that funs internally in a corporation using Internet standards. An extranet is an intranet to which value chain partners are admitted for strategic reasons. The Web is the part of the Internet that supports a graphical user interface for hypertext navigation with a browser. The Internet's properties allow for more effective and efficient marketing in the Web 2.0 by shifting power from sellers to buyers; empowering search engines as reputation engines; increasing market and media fragmentation, and improving online and offline strategy integration (especially multichannel marketing). Content is still king online, but connections are critical in this climate and intellectual capital rules. Finally the long tail theory showed that the economy has changed from one of scarcity to one of abundance.

In the future, Web 3.0 will be a time of engagement, participation, and co-creation where consumer control, increased wireless networking, receiving-appliance convergence, merging of traditional and social media, refined engagement metrics, and the semantic Web will change the marketing landscape. It is essential for marketers to realize that television programs, radio shows, news, movies, books and photos are simply digital data sent by their creators in electronic form via satellite, telephone wires, or cable and then viewed by the audience on receiving appliances such as televisions, computers, radios, cell phones, PDAs, and other. This understanding opens the door for many new product opportunities that provide value to demanding customers of the future. Web 3.0 will be defined by better technology and Web applications, and possibly artificial intelligence.

Chapter Outline

I. E-Marketing Landscape

The Marketing landscape has not changed. Companies must still meet customers needs, and face instant communication and feedback be it positive or negative.

    A.   What works?
1. The comprehensive integration of e-marketing and traditional marketing creates seamless strategies and tactics
2. Profitable strategy categories can include:
   - i. E-Commerce
   - ii. Advertising online
   - iii. Search engine advertising
   - iv. User-generated content
   - v. Online communities
   - vi. Personalization
   - vii. Internet communications
   - viii. Mobile Internet access
   - ix. Local marketing
   - x. Online aggregators
   - xi. Infrastructure processing

    B.   Internet 101   (PPT 1-5, 1-6)
1. The Internet is a worldwide connection of millions of computers that use the Internet Protocol to communicate. This data can be moved over phone lines, cables, and satellites. The Internet has three technical roles:
   - i. Content providers create information, entertainment, etc. that resides on computers with network access.
   - ii. Users (client computers) access content and e-mail over the network
   - iii. Provides an infrastructure to move, create, and view content (hardware and software)

2. Three types of networks form the Internet
   - i. Intranet – A network that runs internally in a corporation but uses Internet standards. It is like a mini-Internet but only for internal corporate use.
   - ii. Extranet – Two or more proprietary networks joined to share information. If two companies link their intranets, it would be an extranet.

   iii. Web – The part of the Internet that most people use. The Web is a collection of hypertext systems that allows documents to be shared over the Internet.

 C. E-Marketing is Bigger Than the Web   (PPT 1-7)
   1. There are many e-marketing technologies that exist that predate the Internet
   2. E-mail and newsgroups are very effective non-Web marketing tools.
   3. The Internet delivers information to more receiving items other than PCs.
     i. televisions
     ii. personal digital assistants
     iii. cell phones
     iv. refrigerator
     v. car
   4. There are offline electronic data-collection devices like bar code scanners used to send data over an Intranet about customers and products.

 D. E-Marketing is Bigger Than Technology   (PPT 1-9)
   1. We are focusing on the union of marketing and technology, but an overview of the big picture helps one understand e-marketing's impact.
     i. Individuals – if information is power, individuals have more power than ever before. Consumers use the Internet to compare prices and products, watch movies and download songs, and enables on-to-one communication through several services.
     ii. Communities – Chat rooms allow people of any geographic location to discuss topics of mutual interest. Internet communities have formed around **Blogs** (on-line Web logs), on-line gaming, and peer-to-peer networking
     iii. Businesses – Technology assists in every aspect of the business world, from filing required government statements to recruitment and training of new employees. A 2002 survey of executives revealed that at least half of those surveyed expressed the need for e-business to build better-quality customer relationships, find business partners, develop opportunities and build better brand visibility.
     iv. Societies – Digital information enhances economies several different ways, but the impact is not evenly distributed across the globe. Just 16% of the world's population has access to the Internet. Only 20 countries account for 90% of all active Internet users. Although the positive impact on lives is significant, the digital divide of the *have's* and *have not's* is widening.

*The Web was developed at the European Particle Physics Center (CERN) in Geneva, Switzerland. The original purpose of the Web was to enable researchers all over the world to collaborate on the same documents without needing to travel. When the World Wide Web was released in 1991, it was purely text-based. In 1993, the National Center for Supercomputer Applications (NCSA) released a program called "Mosaic", which was a graphical user interface allowing Web pages to use pictures and include links to audio and video. In 1994, Netscape Communications Corporation was started by some of Mosaic's developers and over the next few years, Netscape Navigator became the mot popular Web browser. Fred T Hostetler, **Internet Literacy** (New York: The McGraw Hill Companies, 2003),*

Spam *is a term for unwanted messages posted to newsgroups or sent through email. The term "spam" can be used as a verb or a noun. In May of 2004, it was reported that 80% of all emails in the U.S. were spam. Steve Linford of the Spam fighting project Spamhaus warned that at the current rate of increase, the entire email system could "melt down" within six months. It is expected that by the end of 2005 over 30 billion spam emails will be sent everyday. Amazingly, only 150 spammers account for over 90% of all spam. In a recent experiment by Spamhaus, and new email account was established, and a spam mail message was received in less than 540 seconds, that only 9 minutes! (http://encyclopedia.thefreedictionary.com/spam%20%28e-mail%29).*

II. E-Marketing's Past: Web 1.0   (PPT 1-11)

The boom and bust of the first generation of e-businesses was similar to a gold rush. Companies saw large sales and gained market share, but only a few showed any profits. A majority of firms had explosive sales growths, but very few had any success in the bottom line. In just under two years between 200 and 2002, over 500 Internet firms shut down in the United States alone. On line companies have changed the structure of several industries, but marketers have returned to relying on well-grounded strategies and sound marketing practices.

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    A. The "E" Drops From E-Marketing   (PPT 1-12)
        1. Contradicting views
            a. Some say that E-business has become just business. E-commerce has become just commerce. The new economy had become just the economy.
            b. Others argue that e-business will always have its own models, concepts and practices.
        2. Most marketing processes remain the same, but technology has given them a new twist.
        3. What will happen to marketing when most consumers are able to fast forward through television commercials and block online advertising?

It's interesting to note the story about the battle of the online Schwab and the offline Schwab. The online company was allowed to cannibalize the offline company simply because it was more profitable. The online company, e.Schwab.com, produced lower prices, incorporated successful e-marketing strategies, and produced faster growing accounts and assets. For Schwab, e-business is just business.

    B. Marketing Implications of Internet Technologies – there are basic properties that give Internet technology the ability to transform marketing activities.
        1. Bits not atoms
        2. Mediating technology
        3. Global reach
        4. Network externality
        5. Time moderator

6. Information equalizer
7. Scalable capacity
8. Open standard
9. Market deconstruction
10. Task automation

C. E-Marketing Today   (PPT 1-13)
1. Internet strengths as defined in a survey by Jones and Spiegel.
    a. Research resource for buyers, sellers and learners
    b. Elevates and extends strong existing brands
    c. Cost-effective for customer self-service and ongoing business (as opposed to new online businesses)
    d. Allows unprecedented on-to-one communications and dynamic personalization during an online session
    e. Opens the market to new groups of customers
    f. Powerful Extranets customize to the company and individuals.
    g. Unlimited real estate on the Web so prospects can dig deeper and marketers can present items that wouldn't be cost effective in print
    h. Allows for profitable strategic business alliances and affiliations
    i. Offers unique ways to present information and increase sales and profits
2. Information technology has brought about profound changes in traditional marketing.
    a. Power shift from sellers to buyers – the Internet has created a one-world market in which global competition is only one mouse click away.
    b. Market fragmentation – cable television, special interest magazines, and most significantly, the Internet have forced marketers to create products and communication to very small target groups.
    c. Death of distance – geographic location is no longer a factor for buyers or sellers.
    d. Time compression – time is no longer a factor as online stores are available 24/7.
    e. Knowledge management is key – Information is readily available and relatively inexpensive. However, transforming this information into useful data can be quite daunting.
    f. Interdisciplinary focus – successful marketing managers must understand technology to harness its power.
    g. Intellectual capital rules – imagination, creativity, and entrepreneurship are more important than money.

*"Information overload" is a term made more popular by the advent of the Internet. The fact that anyone with Internet capabilities can access thousands of pages of marketing and product information has created a **Good News/Bad News** situation for marketers. The good news is that customers have access to virtually unlimited amounts of information; the bad news is that this plethora of information can cause extensive confusion on the part of the customer.*

III. E-Marketing Today: Web 2.0 (PPT 1-13)

A major factor in the renewed confidence in e-marketing strategies has been the rapid adoption of broadband services. 38% of all Internet users in the US have broadband capabilities which allow marketers to use video, graphics and large photos that would not have been possible with dial up technology. Discuss with the class how having faster Internet connection would benefit marketers and what the different types of high speed Internet access are – Ethernet, Cable, DSL, and ADSL.

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III. The Future: Web 3.0 (PPT 1-14)

    A. Consumer Control (PPT 1-15)
1. Consumer's hold a remote and a mouse that gives them power to avoid marketing
2. Convergence and high speed Internet access have given consumers information on demand capabilities.

    B. Appliance Convergence (PPT 1-19)
1. A receiving appliance is not the same as the media type.

a. Computers can receive digital radio and television transmissions, and the Web
b. Some items, like radios and FAX machines are limited in receiving capabilities
c. Computers, PDA's, and cell phones allow all types of two-way digital transmissions

2. Appliances like the LG Internet refrigerator are many appliances in one
a. Television
b. Internet access
c. Message center
d. Stereo

C. Traditional and Social Media Lose Their Distinction
1. Historic means of allocation
a. Newspaper
b. Television
c. Internet
2. Current means of allocation
a. PDA
b. Cell phone
3. Craigslist/Ebay/Internet

D. Wireless Networking Increases – Wireless networking allows cell phone, PDA's and PC's to connect to the Internet virtually anywhere. (PPT 1-17)
1. Although most US access points are free, French hotels and airports charge a fee.
2. Wireless access can be found anywhere from the Sears building to cruise ships to Amtrak trains.
3. WiFi is the "nickname" for short range 802.11b wireless networking
4. 1.3 billion users own cell phones

An organization in New York City called Public Internet Project (PIP) is a not-for-profit organization dedicated to the development of public Internet access. This organization had implemented the installation of over 13,000 wireless access nodes in Manhattan. In addition to researching the utilization of wireless technologies in daily consumer life, PIP is also hoping to enhance the entire Internet experience through its stated mission of: "To promote open access to the Internet for the benefit of all people." (http://publicinternetproject.org/index.html)

E. Semantic Web (PPT 1-20)
1. Marketers want to give customers information when and where they want it.
2. Marketers use several different receiving appliances to convey their messages.
3. The Semantic Web is an extension of the current Web making it easier to obtain information by:
a. Providing information based on type
b. Person, contact information, next available appointment, restaurant menu's.

4. The Semantic Web was invented by Sir Tim Berners-Lee.

As depicted in Exhibit 1.6, the Semantic Web is similar to the advent of the crystal quartz. Before the quartz, all clocks required user effort to find the time: sundials, mechanical wind-up clocks and clock pendulums. The crystal quartz was now pushed on demand with no effort on the part of the customers. The Semantic Web will allow information on the Web to arrive on demand and be routed to any of several receiving devices – television sets, PDA's, PC's, etc.

F. What Will Characterize Web 3.0?
My prediction would be that Web 3.0 will ultimately be seen as applications which are pieced together. There are a number of characteristics: the applications are relatively small, the data is in the cloud, the applications can run on any device, PC or mobile phone, the applications are very fast and they're very customizable. Furthermore, the applications are distributed virtually: literally by social networks, by email. You won't go to the store and purchase them . . . That's a very different application model than we've ever seen in computing.
ERIC SCHMIDT,
CEO of Google