PRINCIPLES OF
INTERNET MARKETING

NAPA CONSULTING GROUP
Topic: Internet Marketing

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

- E-Marketing ≠ sales
- Marketing plan ≠ e-Marketing plan
- Most organizations have no:
  - Marketing strategy
  - Marketing plan
  - e-Marketing plan
  - Brand advocacy strategy
- Good news: The Internet keeps on growing
- Bad news: Getting harder to be found
Baseline Definition of e-Marketing

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

Adaptation of Philip Kotler’s original definition of marketing.
Customer Integrated Into Process

**BEFORE**
- Monologue
- One way
- Mass communication
- Static
- No interaction among customers
- Shotgun approach
- Hard to identify customers
- Hard to manage customers

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

Diagram showing the change from a simple, static network to a complex, interactive network through the internet.
E-Marketing: More Than Just Your Website

ACME Branded site

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

Site linking

Small businesses

Business resource

First time visitors from search engines.

Search engines
- Regionally
- Worldwide

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

Industry

Partners

Admin portal

Other Blogs

PORTAL

Other Blogs

A
B
C

A
B
C

B2B partners

Forum

Hubs
Global Online Population

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

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<td>Africa</td>
<td>933,448,292</td>
<td>14.2 %</td>
<td>33,334,800</td>
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<td>398,709,065</td>
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<td>Middle East</td>
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<td>North America</td>
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<td>96,386,009</td>
<td>17.3 %</td>
<td>8.7 %</td>
<td>433.4 %</td>
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<td>Oceania / Australia</td>
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<td>0.5 %</td>
<td>18,439,541</td>
<td>53.5 %</td>
<td>1.7 %</td>
<td>142.0 %</td>
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<td><strong>WORLD TOTAL</strong></td>
<td>6,574,666,417</td>
<td>100.0 %</td>
<td>1,114,274,426</td>
<td>16.9 %</td>
<td>100.0 %</td>
<td>208.7 %</td>
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NOTES: (1) Internet Usage and World Population Statistics were updated on Mar. 10, 2007. (2) CLICK on each world region for detailed regional information. (3) Demographic (Population) numbers are based on data contained in the world-gazetteer website. (4) Internet usage information comes from data published by Nielsen/NetRatings; by the International Telecommunications Union; by local NIs; and other other reliable sources. (5) For definitions, disclaimer, and navigation help, see the Site Surfing Guide. (6) Information from this site may be cited, giving due credit and establishing an active link back to www.internetworkstats.com. Copyright © 2007, Miniwatts Marketing Group. All rights reserved worldwide.
Websites Worldwide

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

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

The number of Internet websites each year since the Web's founding.
U.S. Online Ad Spending:
5.9% of the $285 billion total U.S. advertising market in 2006

Advantages

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

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

- Reduce the risk of guessing by letting the community define the need, want, problem, and value proposition
- Speed development cycles
- Create precise features / value
- Create brand advocates
- Community endorsement

Community and feedback loop integral part of shaping product
Recognize Elements of Value Creation: Generic Value Chain

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

Source: Porter’s value chain
Traditional Industry Supply Chain

Look to bypass intermediaries.

**Production based** value creation. (transforming inputs into outputs)

**Commerce based** value creation. (arbitrage)

Typical Service Provider Supply Chain

Each entity looks very little beyond the next partner in the food chain. Incremental value added.
Rearrange Your Supply Chain: Create More Strategic & Symbiotic B2B Relationships

- Think in terms of solving the common objectives, interests, and obstacles.
- Pursue common challenges.
- Pursue common goals.
- Remove common obstacles.
- Achieve collective profitability

How?
- By removing inefficiencies and duplicity of efforts in each discrete value chain.
- Collaborate together to link strategies, validate new applications, how to market them, how to price them, and how to launch them,

The basic principle is to leverage, link, and coordinate resources at a strategic level towards achieving the same fundamental goals.

Build more strategic & symbiotic value chain.

- Reduce duplicity
- Reduce costs
- Leverage resources
- Increase value
Disintermediate

Look for new ways to disintermediate the supply chain.

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

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

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

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

- Product / service strategy
  - Shared risk through open collaboration
- Place (channel)
  - Actors & marketspace
  - Agents
- Pricing
  - Hypercompetitive
  - Convert traffic to advertisement revenue
- Promotion
  - Community
- Customer support
  - 24 X 7
  - Virtual
  - FAQ, forums, electronic
Old 4Ps Paradigm

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

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

Capturing customer interaction creates tremendous value and reduces risk.

Value Innovator

Customer

4Ps

Product

Brand

Promotion
Contagions

- New mediums for communicating information virally among your actors

- viral marketing
- buzz marketing
- vblog
- podcasting
- contentcasting
- WOMM
- widget
- bliget
- chicklet
- buzztracker
- trackback
- digg
- tag
- typelist
- blogroll
- mashup
- delicious
- social media
- social bookmarking
- SMO
92% PREFER WOM RECOMMENDATION

91% LIKELY TO BUY ON RECOMMENDATION
Additional Resources

ISBN 0-538-87573-9
Applications / Hosted Services

- Hosted Blogs
  - Blogger
  - WordPress
  - Typepad
  - Movable Type
  - Yahoo 360
  - Others: [link](http://www.forbes.com/bow/b2c/category.html?id=311)

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

- Content Management Systems (CMS)
  - eZ Publish
  - Joomla
  - WebGUI
  - Mambo
  - HotBanana

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

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

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

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