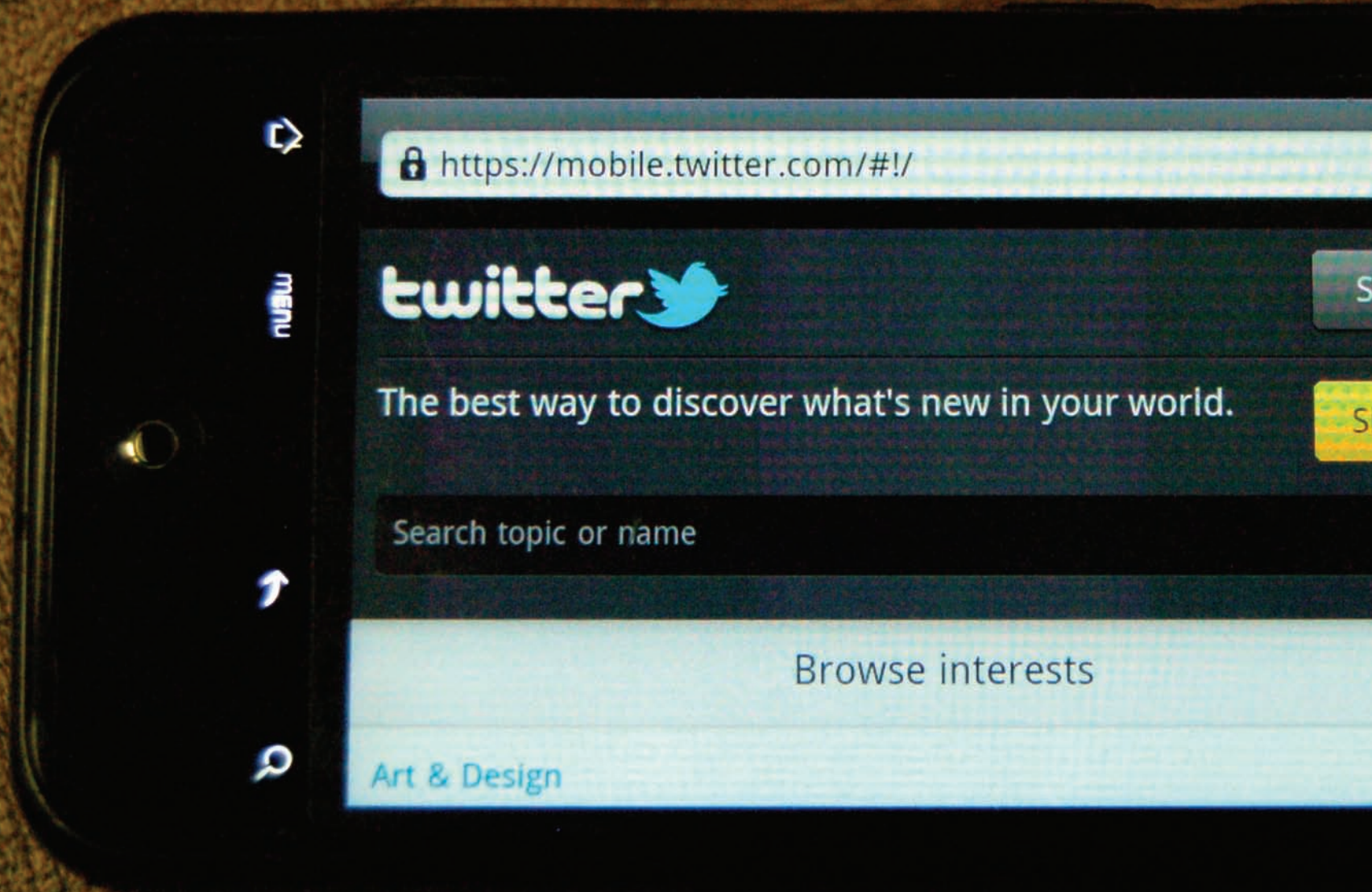
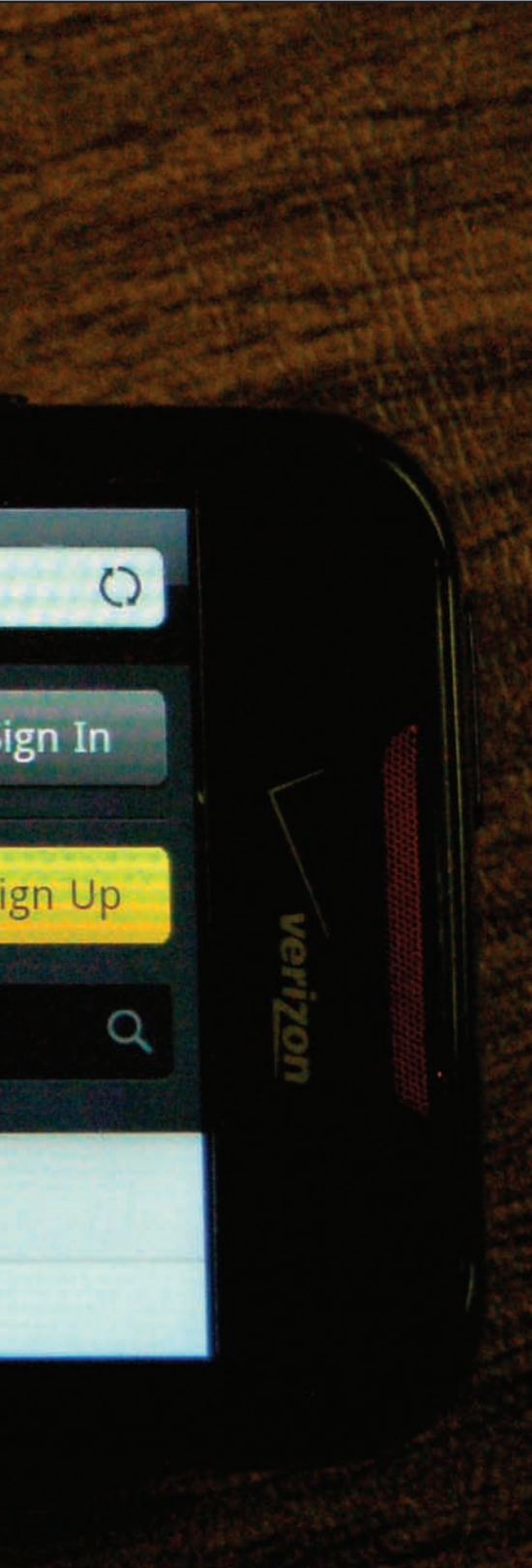


# thirteen



# digital marketing + social networking



The Internet and information technology have dramatically changed the environment for business.<sup>1</sup> Marketers' new ability to convert all types of communications into digital media has created efficient, inexpensive ways of connecting businesses and consumers and has improved the flow and the usefulness of information. Businesses have the information they need to make more informed decisions, and consumers have access to a greater variety of products and more information about choices and quality.

The defining characteristic of information technology in the 21st century is accelerating change. New systems and applications advance so rapidly that it is almost impossible to keep up with the latest developments. Startup companies emerge that quickly overtake existing approaches to digital media. When Google first arrived on the scene, a number of search engines were fighting for dominance. With its fast, easy-to-use search engine, Google became number one and is now challenging many industries, including advertising, newspapers, mobile phones, and book publishing. Despite its victory, Google is constantly being challenged itself by

competitors such as Yahoo! and Baidu. Baidu is gaining ground with 75 percent of the Chinese search engine market. Baidu has also announced it will create its own mobile technology to challenge Google's more than 40 percent market share in mobile operating systems in China.<sup>2</sup> Social networking continues to advance as the channel most observers believe will dominate digital communication in the near future. Today, people spend more time on social networking sites, such as Facebook, than they spend on e-mail.

*continued on p. 266*

## LEARNING OBJECTIVES

After reading this chapter, you will be able to:

- LO 13-1** Define digital media and digital marketing and recognize their increasing value in strategic planning.
- LO 13-2** Demonstrate the role of digital marketing and social networking in today's business environment.
- LO 13-3** Show how digital media affect the marketing mix.
- LO 13-4** Define social networking and illustrate how businesses can use different types of social networking media.
- LO 13-5** Identify legal and ethical considerations in digital media.

continued from p. 265

In this chapter, we first provide some key definitions related to digital marketing and social networking. Next, we discuss using digital media in business and digital marketing. We look at marketing mix considerations when using digital media and pay special attention to social networking. Then we focus on digital marketing strategies—particularly new communication channels such as social networks—and consider how consumers are changing their information searches and consumption behavior to fit emerging technologies and trends. Finally, we examine the legal and social issues associated with information technology, digital media, and e-business. ■



Amazon.com's mobile applications make it easier for users to shop and purchase items on the go.

---

**LO 13-1** Define digital media and digital marketing and recognize their increasing value in strategic planning.

---

## GROWTH AND BENEFITS OF DIGITAL COMMUNICATION

Let's start with a clear understanding of our focus in this chapter. First, we can distinguish **e-business** from traditional business by noting that conducting e-business means carrying out the goals of business through the use of the Internet. **Digital media** are electronic media that function using digital codes—when we refer to digital media, we mean media available via computers and other digital devices, including mobile and wireless ones such as smart phones.

**Digital marketing** uses all digital media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers. Digital marketing is a term we will use often because we are interested in all types of digital communications, regardless of the electronic channel that transmits the data. Digital marketing goes beyond the Internet and includes mobile phones, banner ads, digital outdoor advertisements, and social networks.

The Internet has created tremendous opportunities for businesses to forge relationships with consumers and business customers, target markets more precisely, and even reach previously inaccessible markets at home and around the world. The Internet also facilitates business transactions, allowing companies to network with manufacturers, wholesalers, retailers, suppliers, and outsource firms to serve customers more quickly and more efficiently. The telecommunication opportunities created by the Internet have set the stage for digital marketing's development and growth.

Digital communication offers a completely new dimension in connecting with others. Some of the characteristics that distinguish digital from traditional communication are addressability, interactivity, accessibility, connectivity, and control. These terms are discussed in Table 13.1.

---

**LO 13-2** Demonstrate the role of digital marketing and social networking in today's business environment.

---

## USING DIGITAL MEDIA IN BUSINESS

The phenomenal growth of digital media has provided new ways of conducting business. Given almost instant communication with precisely defined consumer groups, firms can use real-time exchanges to create and stimulate interactive

communication, forge closer relationships, and learn more accurately about consumer and supplier needs. Consider Amazon.com, one of the most successful electronic businesses. It is a true digital marketer and was one of the early success stories in the industry, getting 50 percent of its revenue from international sales.<sup>3</sup> Many of you may not remember a world before Amazon because it has completely transformed how many people shop.

Because it is fast and inexpensive, digital communication is making it easier for businesses to conduct marketing research, provide and obtain price and product information, and advertise, as well as to fulfill their business goals by selling goods and services online. Even the U.S. government engages in digital marketing activities—marketing everything from Treasury bonds and other financial instruments to oil-drilling leases and wild horses. Procter & Gamble uses the Internet as a fast, cost-effective means for marketing research, judging consumer demand for potential new products by inviting online consumers to sample new-product prototypes and provide feedback. If a product gets rave reviews from the samplers, the company might decide to introduce it. By testing concepts online, companies can save significant time and money in getting new products to market.

New businesses and even industries are evolving that would not exist without digital media. Hulu is a video website that lets consumers watch a broad collection of premium videos from more than 410 content companies, any time and from anywhere. The company has partnered with several companies to

**e-business** carrying out the goals of business through use of the Internet

**digital media** electronic media that function using digital codes via computers, cellular phones, smart phones, and other digital devices that have been released in recent years

**digital marketing** the use of all digital media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers

advertise on their sites, including Johnson & Johnson and Best Buy. In fact, Hulu’s growing popularity is allowing it to compete with YouTube.<sup>4</sup>

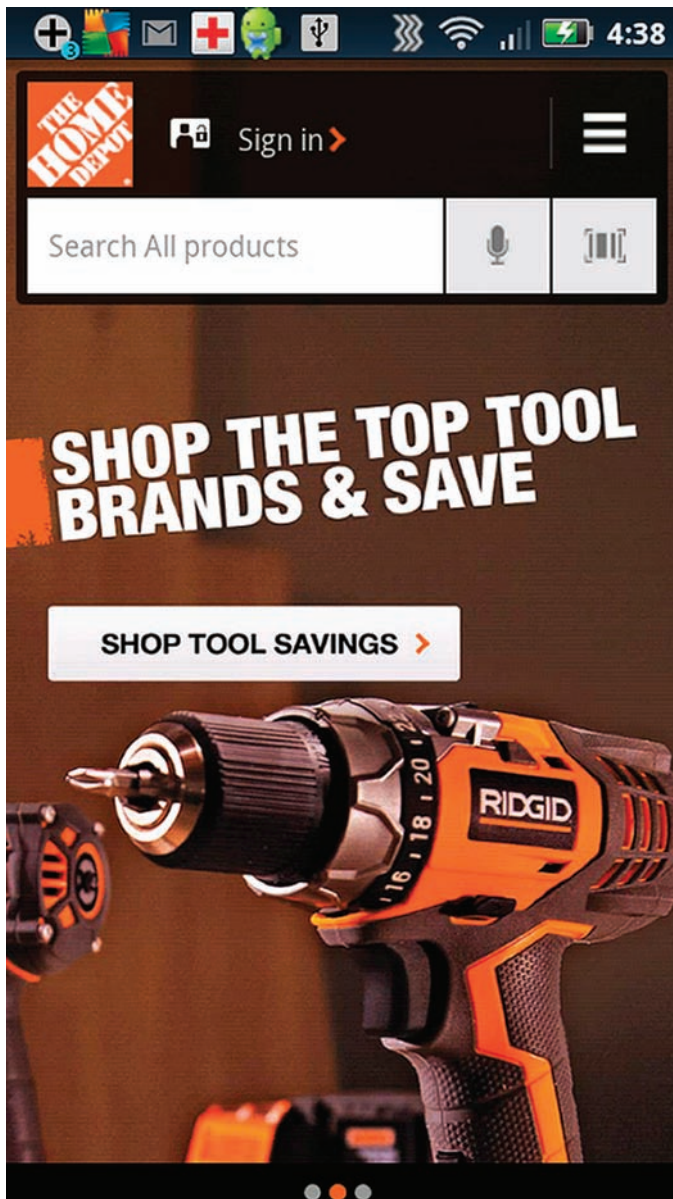
The reality, however, is that Internet markets are more similar to traditional markets than they are different. Thus, successful digital marketing strategies, like traditional business strategies, focus on creating products that customers need or want, not merely developing a brand name or reducing the costs associated with online transactions. Instead of changing all industries, digital technology has had much more impact in certain industries where the cost of business and customer transactions has been very high. For example, investment trading is less expensive online because customers can buy and sell investments, such as stocks and mutual funds, on their own. Firms such as Charles Schwab Corp., the biggest online brokerage firm, have been innovators in promoting online trading. Traditional brokers such as Merrill Lynch have had to follow with online trading for their customers.

Because the Internet lowers the cost of communication, it can contribute significantly to any industry or activity that depends on the flow of digital information such as entertainment, health care, government services, education, and computer services like software development. The publishing industry

“ NEW BUSINESSES AND EVEN INDUSTRIES ARE EVOLVING THAT WOULD NOT EXIST WITHOUT DIGITAL MEDIA. ”

▼ **TABLE 13.1** Characteristics of Digital Marketing

Characteristic	Definition	Example
Addressability	The ability of the marketer to identify customers before they make a purchase	Amazon installs cookies on a user’s computer that allows it to identify the owner when he or she returns to the website.
Interactivity	The ability of customers to express their needs and wants directly to the firm in response to its marketing communications	Texas Instruments interacts with its customers on its Facebook page by answering concerns and posting updates.
Accessibility	The ability for marketers to obtain digital information	Google can use web searches done through its search engine to learn about customer interests.
Connectivity	The ability for consumers to be connected with marketers along with other consumers	The Avon Voices website encouraged singers to upload their singing videos, which can then be voted on by other users for the chance to be discovered.
Control	Customers’ ability to regulate the information they view as well as the rate and exposure to that information	Consumers use Kayak to discover the best travel deals.



Home Depot has an application that connects mobile users to its website to search and shop for products.

is transitioning away from print newspapers, magazines, and books as more consumers purchase e-readers, like the Kindle Fire or the new iPad, or read the news online. Even your textbook is available electronically. Because publishers save money on paper, ink, and shipping, many times electronic versions of books are cheaper than their paper counterparts.

Digital media can also improve communication within and between businesses. In the future, most significant gains will come from productivity improvements within businesses. Communication is a key business function, and improving the speed and clarity of communication can help businesses save time and improve employee problem-solving abilities. Digital media can be a communications backbone that helps to store knowledge, information, and records in management information systems so co-workers can access it when faced

with a problem to solve. A well-designed management information system that uses digital technology can, therefore, help reduce confusion, improve organization and efficiency, and facilitate clear communications. Given the crucial role of communication and information in business, the long-term impact of digital media on economic growth is substantial, and it will inevitably grow over time.

Firms also need to control access to their digital communication systems to ensure worker productivity. This can be a challenge. For example, in companies across the United States, employees are surfing the Internet for as much as an hour during each workday. Many firms are trying to curb this practice by limiting employees' access to instant messaging services, streaming music, and websites with adult content.<sup>5</sup>

---

**LO 13-3** Show how digital media affect the marketing mix.

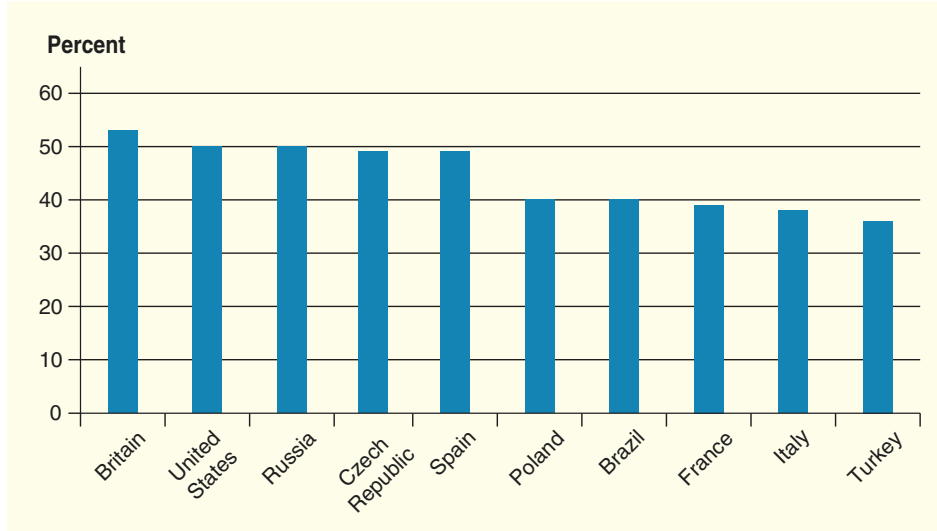
---

## DIGITAL MEDIA AND THE MARKETING MIX

Although digital marketing shares some similarities with conventional marketing techniques, a few valuable differences stand out. First, digital media make customer communications faster and interactive. Second, digital media help companies reach new target markets more easily, affordably, and quickly than ever before. Finally, digital media help marketers use new resources in seeking out and communicating with customers. One of the most important benefits of digital marketing is the ability of marketers and customers to share information easily. Through websites, social networks, and other digital media, consumers can learn about everything they consume and use in their lives, ask questions, voice complaints, indicate preferences, and otherwise communicate about their needs and desires. Many marketers use e-mail, mobile phones, social networking, wikis, media sharing, blogs, videoconferencing, and other technologies to coordinate activities and communicate with employees, customers, and suppliers. Twitter, considered both a social network and a micro-blog, illustrates how these digital technologies can combine to create new communication opportunities.

Nielsen Marketing Research revealed that consumers now spend more time on social networking sites than they do on e-mail, and social network use is still growing. As Figure 13.1 demonstrates, the United Kingdom and the United States are among the world's most avid social networkers. With digital media, even small businesses can reach new markets through these inexpensive communication channels. Brick-and-mortar companies such as Walmart use online catalogs and company websites and blogs to supplement their retail stores. Internet companies such as Amazon.com and Zappos.com that lack physical stores let customers post reviews of their purchases on their websites, creating company-sponsored communities.

**FIGURE 13.1**  
Do You Use Social Networking Sites?



**Source:** Survey conducted across 21 nations by the Pew Research Center's Global Attitudes Project from March 17 to April 20, 2012.

One aspect of marketing that has not changed with digital media is the importance of achieving the right marketing mix. Product, distribution, promotion, and pricing are as important as ever for successful online marketing strategies. Nearly one-third of the world's population now uses the Internet.<sup>6</sup> That means it is essential for businesses large and small to use digital media effectively, not only to grab or maintain market share but also to streamline their organizations and offer customers entirely new benefits and convenience. Let's look at how

businesses are using digital media to create effective marketing strategies on the web.

**Product Considerations** Like traditional marketers, digital marketers must anticipate consumer needs and preferences, tailor their goods and services to meet these needs, and continually upgrade them to remain competitive. The connectivity created by digital media provides the opportunity for adding services and can enhance product benefits. Some products, such as online games, applications, and virtual worlds, are available only via digital media. The more than 500,000 applications available on the iPad, for instance, provide examples of products that are available only in the digital world. Businesses can often offer more items online than they could in a retail store. In addition,

Netflix offers a much wider array of movies and games than the average movie rental stores, along with a one-month free trial, quick delivery and easy returns, online video streaming of some movies, and no late fees. Netflix also prides itself on its recommendation engine, which recommends movies for users based on their previous rental history and how they rate movies they have seen. As Netflix demonstrates, the Internet can make it much easier to anticipate consumer needs. However, fierce competition makes quality product offerings more important than ever.<sup>7</sup>

## FLIPPING THE PAGES IS A THING OF THE PAST: THE RISE OF E-TEXTBOOKS

With the onset of digital media, companies are finding ways to extend digital technology to the textbook industry. As a result, the popularity of electronic textbooks (e-textbooks) at universities is growing. Some universities are requiring students to purchase e-textbooks rather than print ones. Indiana University automatically charges the e-textbook to the student's account. In some cases, universities receive a percentage of the sales of the e-textbooks for promoting their use. Publishers are willing to offer the e-textbooks

at lower prices because they do not have printing or shipping costs, and they get royalties on each copy that students use.

E-textbooks are more efficient for both the publisher and student because various intermediaries such as the bookstore can be eliminated, and publishers receive no revenue on used books. Therefore, each book contributes to covering overhead and development costs. Benefits of e-textbooks include less paper usage, lower prices for students, and less weight for students to carry around. However, some students prefer buying the printed version of the textbook because they like having an actual book to hold. Some say that it costs them more because they have to print the chapters of the electronic version. Another drawback is that some students find that

reading e-textbooks takes more time, and their retention rate is lower.

Certain digital-media companies, such as InKling, offer more options to attract students to their products. They provide textbooks with supplemental material such as quizzes and social networking features for students to share questions and thoughts with each other. They also offer the option for students to purchase chapters of the textbooks for \$2.99 each if they choose not to purchase the entire textbook.<sup>8</sup>

### Discussion Questions

1. What are the advantages of e-textbooks?
2. What are the disadvantages of e-textbooks?
3. What opportunities do e-textbooks offer to marketers?

## social network

a web-based meeting place for friends, family, co-workers, and peers that lets users create a profile and connect with other users for a wide range of purposes

## Distribution Considerations

The Internet is a new distribution channel for making products available at the right time, at the right place, and in the right quantities. Marketers' ability to process orders electronically and increase the

speed of communications via the Internet reduces inefficiencies, costs, and redundancies while increasing speed throughout the marketing channel. Shipping times and costs have become an important consideration in attracting customers, prompting many companies to offer consumers low shipping costs or next-day delivery. For example, Walmart is attempting to take market share away from e-marketers such as Amazon.com by reducing delivery time and creating a "site to store" system that eliminates shipping costs for consumers who pick up their deliveries in the store. This offer has the increased benefit of getting customers into the store, where they might make add-on purchases. Walmart is also testing the concept of delivering groceries to individual homes. Through even more sophisticated distribution systems, Walmart hopes to overtake online retailers to become the biggest online merchant.<sup>9</sup>

These changes in distribution are not limited to the Western world. In a revolutionary shift in China, where online shopping had not been widely adopted by consumers, businesses are now realizing the benefits of marketing online. One of the first adopters of Internet selling was the Chinese company Taobao, a consumer auction site that also features sections for Chinese brands and retailers. Taobao has been enormously successful; the majority of online sales in China take place there.<sup>10</sup> Consumer trends like these demonstrate that the shift of distributing through digital networks is well under way worldwide.

**Promotion Considerations** Perhaps one of the best ways businesses can use digital media is for promotion purposes—whether they are increasing brand awareness, connecting with consumers, or taking advantage of social networks or virtual worlds (discussed later) to form relationships and generate positive publicity or buzz about their products. Thanks to online promotion, consumers can be more informed than ever, including reading customer-generated content before making purchasing decisions. Consumer consumption patterns are radically changing, and marketers must adapt their promotional efforts to meet them.

If marketers find it difficult to adapt their promotional strategies to online marketing, many social networks offer tools to help. For instance, Facebook's launch of Sponsored Stories lets advertisers pay to have Facebook "highlight" users' status updates or "likes" so their friends can see them. Burberry's and Ben & Jerry's have used the Sponsored Stories feature to capitalize on this opportunity for word-of-mouth marketing. Facebook's Sponsored Stories has been moved into its News Feed because that is where most users look first.<sup>11</sup> Marketers that choose to capitalize on these opportunities have the chance to boost their firms' brand exposure significantly.

**Pricing Considerations** Price is the most flexible element of the marketing mix. Digital marketing can enhance the value of products by providing extra benefits such as service, information, and convenience. Through digital media, discounts and other promotions can be quickly communicated. As consumers have become better informed about their options, the demand for low-priced products has grown, leading to the creation of deal sites where consumers can directly compare prices. Expedia.com, for instance, provides consumers with a wealth of travel information about everything from flights to hotels that lets them compare benefits and prices. Many marketers offer buying incentives such as online coupons or free samples to generate consumer demand for their products. For the business that wants to compete on price, digital marketing provides unlimited opportunities.

---

**LO 13-4** Define social networking and illustrate how businesses can use different types of social networking media.

---

## Social Networking

A **social network** is "a web-based meeting place for friends, family, co-workers and peers that lets users create a profile and connect with other users for the purposes that range from getting acquainted, to keeping in touch, to building a work related network."<sup>12</sup> Social networks are a valued part of marketing because they are changing the way consumers communicate with each other and with firms. Sites such as Facebook and Twitter have emerged as opportunities for marketers to build communities, provide product information, and learn about consumer needs. By the time you read

“ Social networks are a valued part of marketing because they are changing the way consumers communicate with each other and with firms. ”

this, it is possible there will be new social networking sites that continue to advance digital communication and opportunities for marketers.

You might be surprised to know that social networks have existed in some form or other for 40 years. The precursors of today's social networks began in the 1970s as online bulletin boards that allowed users with common interests to interact with one another. The first modern social network was Six Degrees.com, launched in 1997. This system permitted users to create a profile and connect with friends—the core attributes of today's networks.<sup>13</sup> Although Six Degrees eventually shut down for lack of interest, the seed of networking had been planted.<sup>14</sup> Other social networks followed, with each new generation becoming increasingly sophisticated. Today's sites offer a multitude of consumer benefits, including the ability to download music, games, and applications; upload photos and videos; join groups; find and chat with friends; comment on friends' posts; and post and update status messages.

As the number of social network users increases, interactive marketers are finding opportunities to reach out to consumers in new target markets. CafeMom is a social networking site that offers mothers a forum in which to connect and write about parenting and other topics important to them. At 9 million unique monthly visitors, this particular site is an opportunity to reach out to mothers, a demographic that has a significant influence on family purchasing behavior. Walmart, Playskool, General Mills, and Johnson & Johnson have all advertised through this site.<sup>15</sup> We'll have more to say about how marketers use social networks later in this chapter.

An important question relates to how social media sites are adding value to the economy. Marketers at companies such as Ford and Zappos, for instance, are using social media to promote products and build consumer relationships. Most corporations are supporting Facebook pages and Yammer accounts for employees to communicate across departments and divisions. Professionals such as professors, doctors, and engineers also share ideas on a regular basis. Even staffing organizations use social media, bypassing traditional e-mail and telephone channels. Although billions of dollars in investments are being funneled into social media, it may be too early to assess the exact economic contribution of social media to the entire economy.<sup>16</sup>

## TYPES OF CONSUMER-GENERATED MARKETING AND DIGITAL MEDIA

Although digital marketing has generated exciting opportunities for companies to interact with their customers, digital media are also more consumer-driven than traditional media. Internet users are creating and reading consumer-generated content as never before and are having a profound effect on marketing in the process.

Two factors have sparked the rise of consumer-generated information:

1. The increased tendency of consumers to publish their own thoughts, opinions, reviews, and product discussions through blogs or digital media.
2. Consumers' tendencies to trust other consumers over corporations. Consumers often rely on the recommendations of friends, family, and fellow consumers when making purchasing decisions.

Marketers who know where online users are likely to express their thoughts and opinions can use these forums to interact with them, address problems, and promote their companies. Types of digital media in which Internet users are likely to participate include social networks, blogs, wikis, video sharing sites, podcasts, virtual reality sites, and mobile applications. Let's look a little more closely at each.

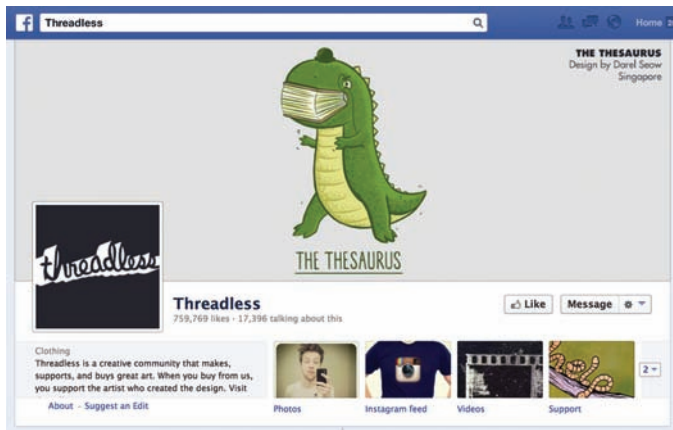


### Social Networks

The increase in social networking across the world is exponential. It is estimated that today's adults spend one of every five online minutes on social networking sites.<sup>17</sup> As social networks evolve, both marketers and the owners of social networking sites are realizing the opportunities such networks offer—an influx of advertising dollars for site owners and a large reach for the advertiser. As a result, marketers have begun investigating and experimenting with promotion on social networks. Two of the most prominent sites are Facebook and Twitter.

**Facebook** In April 2008, the social networking site Facebook surpassed Myspace in its number of members, becoming the most popular social networking site in the world.<sup>18</sup> Facebook users create profiles, which they can make public or





Threadless, an online community of artists, has developed a Facebook page to promote products and stay connected with consumers.

**Twitter** Twitter is a hybrid of a social networking site and a micro-blogging site that asks users one simple question: “What’s happening?” Members can post answers of up to 140 characters, which are then available for their registered followers to read. It sounds simple enough, but Twitter’s effect on digital media has been immense. The site quickly progressed from a novelty to a social networking staple, attracting millions of viewers each month.<sup>23</sup>

Although 140 characters may not seem like enough for companies to send an effective message, some have become experts at using Twitter in their marketing strategies. Southwest Airlines has an entire team monitor its account during its business operations to answer questions on Twitter ranging from refunds to lost baggage.<sup>24</sup> These efforts are having an impact; approximately 88 percent of users report that they follow at least one brand on Twitter.<sup>25</sup>



## MANY MARKETERS ARE TURNING TO FACEBOOK TO MARKET PRODUCTS, INTERACT WITH CONSUMERS, AND GAIN FREE PUBLICITY. ”

private, and then search the network for people with whom to connect. Many believe Facebook appeals to a broader demographic than does Myspace, attracting parents and grandparents as well as teens and college students.<sup>19</sup> In fact, the fastest-growing group on Facebook is consumers 55 and over.<sup>20</sup>

For this reason, many marketers are turning to Facebook to market products, interact with consumers, and gain free publicity. It is possible for a consumer to become a fan of a major company such as Starbucks by clicking the Like icon on the coffee retailer’s Facebook page. Facebook partners with organizations to offer unique incentives to businesses. Facebook also offers businesses ways to engage in e-commerce. The organization launched a Gifts feature that enables users to purchase gifts—such as a Starbucks gift card—and send these gifts to their friends through the site.<sup>21</sup>

In addition, social networking sites are useful for relationship marketing, or the creation of relationships that mutually benefit the marketing business and the customer. Companies are using relationship marketing through Facebook to help consumers feel more connected to their products. For instance, New Belgium Brewing has more than 35 local Facebook pages and uses the website to target advertisements toward its fan base. After conducting a study on its Facebook fans, the company determined that its fans generate half of the company’s annual sales.<sup>22</sup> Thanks to Facebook, companies like New Belgium are able to understand who their customers are and how they can meet their needs.

Like other social networking tools, Twitter is also being used to build, or in some cases rebuild, customer relationships. For example, Zappos posts on Twitter to update followers on company activities and address customer complaints.<sup>26</sup> Other companies are using tweets to develop ideas for advertising campaigns. Samsung claims that its famous television ad mocking Apple’s iPhone was inspired by comments posted on Twitter.<sup>27</sup>

Finally, companies are using Twitter to gain a competitive advantage. Marketers can pay Twitter to highlight advertisements or company brands to a wider range of users while they search for specific terms or topics.<sup>28</sup> The race is on among companies that want to use Twitter to gain a competitive edge.

### Blogs and Wikis

Today’s marketers must recognize that the impact of consumer-generated material like blogs and wikis and their significance to online consumers have increased a great deal. **Blogs** (short for web logs) are web-based journals in which writers can editorialize and interact with other Internet users. More than three-fourths of Internet users read blogs.<sup>29</sup> In fact, the blogging site Tumblr, which allows anyone to post text, hyperlinks, pictures, and other media for free, became one of the top ten online destinations. The site experiences approximately 18 billion page views per month.<sup>30</sup>

Blogs give consumers power, sometimes more than companies would like. Bloggers can post whatever they like about a company or its products, whether their opinions are positive or negative,



#### DID YOU KNOW?

Searching is the most popular online activity; social networking and blogging are fourth.<sup>31</sup>

true or false. For instance, although companies sometimes force bloggers to remove blogs, readers often create copies of the blog post and spread it across the Internet after the original's removal.<sup>32</sup> In other cases, a positive review of a product or service posted on a popular blog can result in large increases in sales. Thus, blogs can represent a potent threat or opportunity to marketers.

Rather than trying to eliminate blogs that cast their companies in a negative light, some firms are using their own blogs, or employee blogs, to answer consumer concerns or defend their corporate reputations. Boeing operates a corporate blog to highlight company news and to post correspondence from Boeing enthusiasts from all over the world.<sup>33</sup> As blogging changes the face of media, smart companies are using it to build enthusiasm for their products and create relationships with consumers.

**Wikis** are websites where users can add to or edit the content of posted articles. One of the best known is Wikipedia, an online encyclopedia with more than 22 million entries in more than 250 languages on nearly every subject imaginable. (Encyclopedia Britannica has only 120,000 entries.)<sup>34</sup> Wikipedia is one of the 10 most popular sites on the web, and because much of its content can be edited by anyone, it is easy for online consumers to add detail and supporting evidence and to correct inaccuracies in content. Wikipedia used to be completely open to editing, but to stop vandalism, the site had to make some topics off-limits that are now editable only by a small group of experts.

Like all digital media, wikis have advantages and disadvantages for companies. Wikis about controversial companies such as Walmart and Nike often contain negative publicity, such as about workers' rights violations. However, monitoring relevant

wikis can provide companies with a better idea of how consumers feel about the company or brand. Some companies have also begun to use wikis as internal tools for teams working on projects that require a great deal of documentation.<sup>35</sup>

There is too much at stake financially for marketers to ignore wikis and blogs. Research has shown that approximately 46 percent of companies that use blogs have gained new customers from blog-generated leads.<sup>36</sup> Despite this fact, statistics show that only 28 percent of *Fortune* 500 companies have a corporate blog.<sup>37</sup> Marketers who want to form better customer relationships and promote their company's products must not underestimate the power of these two media outlets.

## Media Sharing

Businesses can also share their corporate messages in more visual ways through media sharing sites. Media sharing sites allow marketers to share photos, videos, and podcasts. Media sharing sites are more limited in scope in how companies interact with consumers. They tend to be more promotional than reactive. This means that although firms can promote their products through videos or photos, they usually do not interact with consumers through personal messages or responses. At the same time, the popularity of these sites provides the potential to reach a global audience of consumers.

Video sharing sites allow virtually anybody to upload videos, from professional marketers at *Fortune* 500 corporations to the

**blog** a web-based journal in which a writer can editorialize and interact with other Internet users

**wiki** a website where users can add to or edit the content of posted articles

---

## MARKETERS FIND A NEW COMMUNICATION TOOL WITH PINTEREST

---

For marketers adept at recognizing new opportunities, the online bulletin board Pinterest can provide their companies with a competitive advantage. Pinterest is used to share photos and other images among Internet users. Users communicate mostly through images that they pin to their boards. Other users can repin these images to their boards, follow each other, like images, and make comments. Links to websites can be added to the images to move more traffic to company websites, turning Pinterest into an effective digital marketing tool.

Larger companies such as Dell and Whole Foods are more involved on Pinterest, but some smaller businesses are using it as well. The Pinterest community is dominated by the female demographic, so companies that target women have the opportunity to reach them in innovative ways. Companies are marketing their products by posting images that evoke an emotional response representing their brand. For example, Whole Foods has topic boards on Pinterest featuring recipes, farm scenes, and more. One image features a Nicaraguan who received a small loan to buy materials for her business to support herself. This reinforces Whole Foods' philanthropic program of providing small loans to entrepreneurs in developing countries.

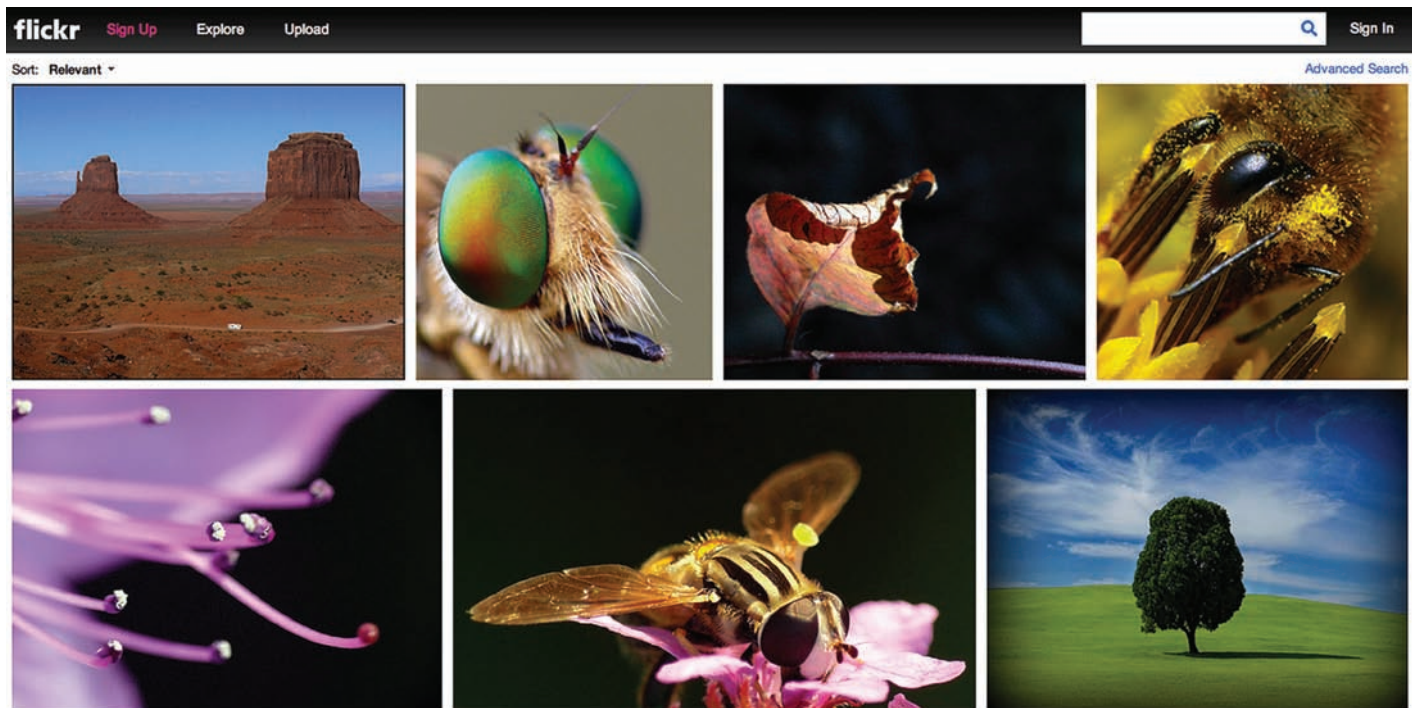
Pinterest also serves as a customer relationship management tool because the

images people pin to their boards reflect interests and aspirations, thus allowing marketers to interact with users on a more personal level. Marketers can inspire an emotional response among potential customers with the way they organize their boards. The effectiveness of this marketing can be monitored by how many repins, likes, and comments are posted. Marketers are reporting increased web traffic and sales because of Pinterest.<sup>38</sup>

---

### Discussion Questions

1. Describe how marketers can use Pinterest to enhance their marketing communications.
2. Why might it be better to post an image that conveys an emotional response rather than a simple advertisement?
3. How does Pinterest act as a customer relationship management tool?



Flickr is a popular photo sharing sites. Marketers can use Flickr to post photos of products or company activities.

average Internet user. Some of the most popular video sharing sites include YouTube, Video.Yahoo.com, Metacafe.com, and Hulu. Video sharing sites give companies the opportunity to upload ads and informational videos about their products. A few videos become viral at any given time, and although many of these gain popularity because they embarrass the subject in some way, others reach viral status because people find them entertaining. **Viral marketing** is a marketing tool that uses the Internet, particularly social networking and video sharing sites, to spread a message and create brand awareness. Marketers are taking advantage of the viral nature of video sharing sites like YouTube, by either creating their own unique videos or advertising on videos that have already reached viral status. For instance, McDonald's partnered with YouTube to have advertisements posted during videos by YouTube's partners. Such exposure guarantees that McDonald's will reach a large audience.<sup>39</sup>

Businesses have also begun to use consumer-generated video content, saving money they would have spent on hiring advertising firms to develop professional advertising campaigns. GoPro was transformed from a small camera firm into a successful company due to the videos consumers took of themselves using GoPro cameras. The company is partnering with YouTube to create its own network for consumer-generated GoPro videos.<sup>40</sup> Marketers believe consumer videos appear more authentic and create enthusiasm for the product among consumer participants.

Photo sharing sites allow users to upload and share their photos and short videos with the world. Well-known photo sharing

sites include Instagram and Flickr. Flickr is owned by Yahoo! and is one of the most popular photo sharing sites on the Internet. A Flickr user can upload images, edit them, classify the images, create photo albums, and share photos with friends without having to e-mail bulky image files or send photos through the mail. Although Flickr might be the most popular photo sharing site on the Internet, Instagram is the most popular mobile photo sharing application. Instagram allows users to make their photos look dreamy or retrospective with different tints. These photos can then be shared with other users. With more people using mobile apps or accessing the Internet through their smart phones, the use of photo sharing through mobile devices is likely to increase.<sup>41</sup>

Other sites are emerging that take photo sharing to a new level. Pinterest is a photo sharing bulletin board site that combines photo sharing with elements of bookmarking and social networking. Users can share photos and images among other Internet users, communicating mostly through images that they pin to their boards. Other users can repin these images to their boards, follow each other, like images, and make comments. Marketers have found that an effective way of marketing through Pinterest is to post images conveying emotions that represent their brand.<sup>42</sup>

Photo sharing represents an opportunity for companies to market themselves visually by displaying snapshots of company events, company staff, and/or company products. Keller Williams, for example, has used Flickr to show photographs of employees performing philanthropic services in their communities, a type of cause-related marketing.<sup>43</sup> Nike and MTV have

used Instagram for digital marketing campaigns.<sup>44</sup> Whole Foods has topic boards on Pinterest to reinforce its brand image.<sup>45</sup> Many businesses with pictures on Flickr have a link connecting their Flickr photostreams to their corporate websites.<sup>46</sup>

**Podcasts** are audio or video files that can be downloaded from the Internet via a subscription that automatically delivers new content to listening devices or personal computers. Podcasting offers the benefit of convenience, giving users the ability to listen to or view content when and where they choose.

It is estimated that by 2013, more than 37 million U.S. consumers will be downloading podcasts every month. Most current podcast users are between 18 and 29 years of age, making podcasts a good marketing tool for reaching this demographic.<sup>47</sup> For instance, the podcast *Mad Money*, hosted by Jim Cramer, gives

Pizza created a shop in Second Life that allows users to order real pizza online.<sup>49</sup> Other businesses are looking toward virtual worlds to familiarize consumers with their products and services. For instance, McDonald's has partnered with the virtual gaming site Zynga to bring its virtual store and brand to Zynga's popular virtual gaming site CityVille.<sup>50</sup>

Firms are also using virtual technology for recruiting purposes. Major companies such as Boeing,

**viral marketing** a marketing tool that uses the Internet, particularly social networking and video sharing sites, to spread a message and create brand awareness

**podcast** an audio or video file that can be downloaded from the Internet with a subscription that automatically delivers new content to listening devices or personal computers

“Podcasting offers the benefit of convenience, giving users the ability to listen to or view content when and where they choose.”

investment advice and teaches listeners how to analyze stocks and other financial instruments. These are important topics for young adults who do not have much investment experience.<sup>48</sup>

As podcasting continues to catch on, radio stations and television networks such as CBC Radio, NPR, MSNBC, and PBS are creating podcasts of their shows to profit from this growing trend. Many companies hope to use podcasts to create brand awareness, promote their products, and encourage customer loyalty.

## Virtual Worlds

Games and programs allowing viewers to develop avatars that exist in an online virtual world have exploded in popularity in the 21st century. Virtual worlds include Second Life, Everquest, Sim City, and the role-playing game World of Warcraft. These sites can be described as social networks with a twist. Virtual realities are three-dimensional, user-created worlds that have their own currencies, lands, and residents that come in every shape and size. Internet users who participate in virtual realities such as Second Life choose a fictional persona, called an *avatar*. Residents of Second Life connect with other users, purchase goods with virtual Linden dollars (convertible to real dollars), and even own virtual businesses. For entertainment purposes, residents can shop, attend concerts, or travel to virtual environments—all while spending real money. Farmville provides a similar virtual world experience, except it is limited to life on a farm.

Although the businesses in Second Life are virtual ones, real-world marketers and organizations have been eager to capitalize on the site's popularity. For instance, in an effort to connect with consumers and build brand loyalty, Domino's

Procter & Gamble, Citigroup, and Progressive Corp. have held virtual career fairs to recruit candidates from across the world. The companies promoted the fairs on Facebook and Twitter. By interacting with the public virtually, businesses hope to connect with younger generations of consumers.<sup>51</sup>

## Mobile Marketing

As digital marketing becomes increasingly sophisticated, consumers are beginning to use mobile devices such as smart phones as a highly functional communication method. The



Second Life residents can purchase Linden dollars, the currency of Second Life, to purchase virtual products.

## INSTAGRAM BECOMES AN INSTANT SUCCESS IN DIGITAL MARKETING

The story of Instagram began in a study abroad program at Stanford University. Founder Kevin Systrom had an instructor who replaced his digital camera with a Holga camera (an inexpensive plastic

nondigital camera). The resulting retrospective photos had a nostalgic quality that charmed Systrom. He saw a market for a mobile photo sharing application because many people were taking low-quality photos with their mobile phones. Instagram's filters give users the ability to change the look and feel of photographs. With Instagram, photos can be made to look dreamy and romantic with a warm tint or austere with a cool tint. The application allows users to share their photos with friends,

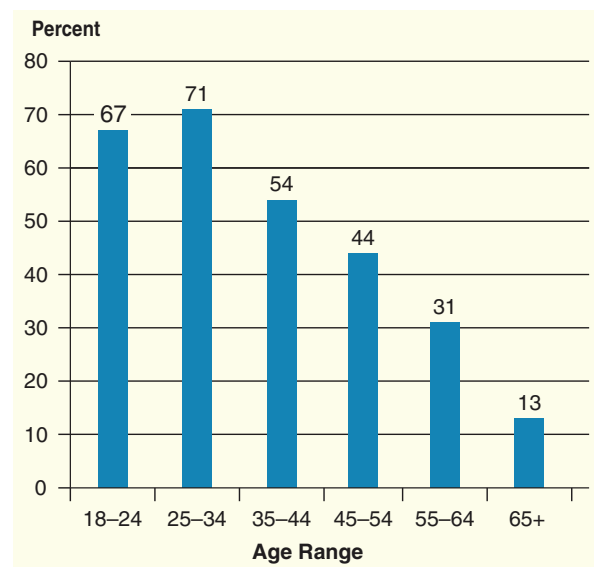
causing its popularity to soar. Its viral nature caught the attention of marketers such as Nike, Audi, and MTV, which have all used Instagram in digital marketing campaigns. On an interesting note, before he developed Instagram, Systrom was approached by Facebook's Mark Zuckerberg with a job offer. Systrom rejected the offer to finish his degree. In 2012, Systrom sold Instagram to Facebook for \$1 billion, earning Systrom more money than if he had accepted Zuckerberg's original offer.<sup>52</sup>

iPhone and iPad have changed the way consumers communicate, and a growing number of travelers are using their smart phones to find online maps, travel guides, and taxis. In industries such as hotels, airlines, and car rental agencies, mobile phones have become a primary method for booking reservations and communicating about services. They can act as airline boarding passes, GPS devices, and even hotel room keys. FARELOGIX, a travel software company, is working with a number of airlines to introduce features that allow airlines to sell services such as priority boarding through mobile devices. Although airlines already make these services available on their websites, they also want to communicate with travelers who experience unexpected changes on their trips. Other marketing uses of mobile phones include sending shoppers timely messages related to discounts and shopping opportunities.<sup>53</sup> Figure 13.2 breaks down smart phone ownership by age. Mobile marketing is exploding—marketers spent \$2.6 billion on mobile marketing in 2012.<sup>54</sup>

To avoid being left behind, brands must recognize the importance of mobile marketing. This makes it essential for companies to understand how to use mobile tools to create effective campaigns. Some of the more common mobile marketing tools include the following:

- **SMS messages:** SMS messages are text messages of 160 words or less. SMS messages have been an effective way to send coupons to prospective customers.<sup>55</sup>
- **Multimedia messages:** Multimedia messaging takes SMS messaging a step further by allowing companies to send video, audio, photos, and other types of media over mobile devices. Motorola's House of Blues multimedia campaign allowed users to receive access to discounts, tickets, music, and other digital content on their mobile phones.<sup>56</sup>
- **Mobile advertisements:** Mobile advertisements are visual advertisements that appear on mobile devices. Companies might choose to advertise through search engines, websites, or even games accessed on mobile devices. Comcast Corp. developed mobile advertising that allows users to click its ad and automatically send a call to the company.<sup>57</sup>
- **Mobile websites:** Mobile websites are websites designed for mobile devices. Mobile devices constitute 13 percent of web traffic.<sup>58</sup>

▼ **FIGURE 13.2**  
Smart Phone Ownership by Age



**Source:** Pew Research Center's Internet & American Life Project, April 26–May 22, 2011, and January 20–February 19, 2012, tracking surveys. For 2012 data,  $n = 2,253$  adults and includes 901 cell phone interviews.

- **Location-based networks:** Location-based networks are built for mobile devices. One of the most popular location-based networks is Foursquare, which lets users check in and share their location with others. Businesses such as OpenTable have partnered with Foursquare to enable users to search for restaurants and make reservations with just a click of a button.<sup>59</sup>
- **Mobile applications:** Mobile applications (known as *apps*) are software programs that run on mobile devices and give users access to certain content.<sup>60</sup> Businesses release apps to help consumers access more information about their company or to provide incentives. Apps are discussed in further detail in the next section.

## Applications and Widgets

Applications are adding an entirely new layer to the marketing environment; approximately half of all American adult cell phone users have applications on their mobile devices.<sup>61</sup> The

most important feature of apps is the convenience and cost savings they offer to the consumer. Certain apps allow consumers to scan a product's barcode and then compare it with the prices of identical products in other stores. Mobile apps also enable customers to download in-store discounts.

To remain competitive, companies are beginning to use mobile marketing to offer additional incentives to consumers. International Hotel Group, for instance, has both a mobile website and a Priority Club Reward app. As a result of its mobile marketing strategy, the company experienced a 20 percent boost in mobile site jumps per month.<sup>62</sup> Another application that marketers are finding useful is the QR scanning app. QR codes are black-and-white squares that sometimes appear in magazines, posters, and storefront displays. Smart phone users who have downloaded the QR scanning application can open their smart phones and scan the code, which contains a hidden message accessible with the app. The QR scanning app recognizes the code and opens the link, video, or image on the phone's screen. Marketers are using QR codes to promote their companies and offer consumer discounts.<sup>63</sup>

Mobile payments are also gaining traction, and companies such as Google are working to capitalize on this opportunity.<sup>64</sup> Google Wallet is a mobile app that stores credit card information on the smart phone. When the shopper is ready to check out, he or she can tap the phone at the point of sale for the transaction to be registered.<sup>65</sup> The success of mobile payments in revolutionizing the shopping experience will largely depend on

pages, alert users to the latest company information, and spread awareness of the company's products.

## USING DIGITAL MEDIA TO REACH CONSUMERS

We've seen that customer-generated communications and digital media connect consumers as never before. These connections let consumers share information and experiences without company interference so they get more of the real story on a product or company feature. In many ways, these media take some of the professional marketer's power to control and disperse information and place it in the hands of the consumer.

However, this shift does not have to spell doom for marketers, who can choose to use the power of the consumer and Internet technology to their advantage. Although consumers use digital media to access more product information, marketers can use the same sites to get better and more targeted information about the consumer—often more than they could gather through traditional marketing venues. Marketers increasingly use consumer-generated content to aid their own marketing efforts, even going so far as to incorporate Internet bloggers in their publicity campaigns. Finally, marketers are also beginning to use the Internet to track the success of their online marketing campaigns, creating an entirely new way of gathering marketing research.

**“The challenge for digital media marketers is to constantly adapt to new technologies and changing consumer patterns.”**

retailers to adopt this payment system, but companies such as Starbucks are already jumping at the opportunity. An estimated 70 percent of U.S. consumers will own smart phones by 2014, so businesses cannot afford to miss out on the chance to profit from these new trends.<sup>66</sup>

Widgets are small bits of software on a website, desktop, or mobile device that enables users “to interface with the application and operating system.” Marketers might use widgets to display news headlines, clocks, or games on their web pages.<sup>67</sup> Widgets have been used by companies such as A&E Television Network as a form of viral marketing—users can download the widget and send it to their friends with a click of a button.<sup>68</sup> Widgets downloaded to a user's desktop can update the user on the latest company or product information, enhancing relationship marketing between companies and their fans. For instance, Krispy Kreme® Doughnuts developed a widget that will alert users when their Original Glazed® doughnuts are hot off the oven at their favorite Krispy Kreme shop.<sup>69</sup> Widgets are an innovative digital marketing tool to personalize web

The challenge for digital media marketers is to constantly adapt to new technologies and changing consumer patterns. Unfortunately, the attrition rate for digital media channels is very high, with some dying off each year as new ones emerge. As time passes, digital media are becoming more sophisticated so as to reach consumers in more effective ways. Those that are not able to adapt and change eventually fail.

Charlene Li and Josh Bernoff of Forrester Research, a technology and market research company, emphasize the need for marketers to understand these changing relationships in the online media world. By grouping consumers into different segments based on how they use digital media, marketers can gain a better understanding of the online market and how best to proceed.<sup>70</sup>

Table 13.2 shows seven ways that Forrester Research groups consumers based on their Internet activity (or lack thereof). The categories are not mutually exclusive; online consumers can participate in more than one at a time.

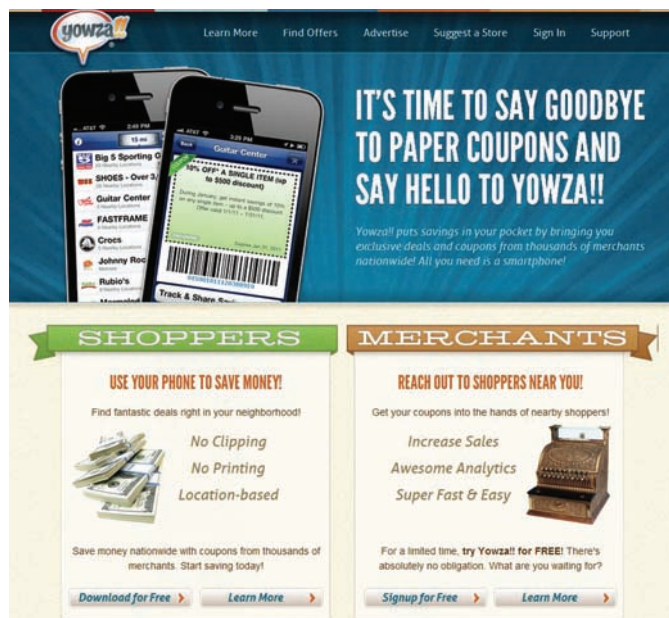
Creators are consumers who create their own media outlets, such as blogs, podcasts, consumer-generated videos, and wikis.<sup>71</sup> Consumer-generated media are increasingly important to online marketers as a conduit for addressing consumers directly. The second group of Internet users is *conversationalists*. Conversationalists regularly update their Twitter feeds or status updates on social networking sites. Although they are less involved than creators, conversationalists spend time at least once a week (and often more) on digital media sites posting updates.<sup>72</sup> The third category, *critics*, consists of people who comment on blogs or post ratings and reviews on review websites such as Yelp. Because many online shoppers read ratings and reviews to aid their purchasing decisions, critics should be a primary component in a company's digital marketing strategy. The next category is *collectors*. They collect information and organize content generated by critics and creators.<sup>73</sup> Because collectors are active members of the online community, a company story or site that catches the eye of a collector is likely to be posted, discussed on collector sites, and made available to other online users looking for information.

Joiners include all who become users of Twitter, Facebook, or other social networking sites. It is not unusual for consumers to be members of several social networking sites at once. Joiners use these sites to connect and network with other users, but as we've seen, marketers too can take significant advantage of these sites to connect with consumers and form customer relationships.<sup>74</sup> The last two segments are Spectators and Inactives.

▼ **TABLE 13.2** Social Technographics

Creators	Publish a blog Publish personal web pages Upload original video Upload original audio/music Write articles or stories and post them
Conversationalists	Update status on social networking sites Post updates on Twitter
Critics	Post ratings/reviews of products or services Comment on someone else's blog Contribute to online forums Contribute to/edit articles in a wiki
Collectors	Use RSS feeds Add tags to web pages or photos "Vote" for websites online
Joiners	Maintain profile on a social networking site Visit social networking sites
Spectators	Read blogs Watch video from other users Listen to podcasts Read online forums Read customer ratings/reviews
Inactives	None of the activities

**Sources:** Charlene Li and Josh Bernoff, *Groundswell* (Boston: Harvard Business Press, 2008), p. 43. "Forrester Unveils New Segment of Social Technographics—The Conversationalists," *360 Digital Connections*, January 21, 2010, <http://blog.360i.com/social-media/forrester-new-segment-social-technographics-conversationalists>.



Yowza!!, a mobile phone app, uses the GPS devices in cell phones to locate consumers and send them coupons from retailers in that area.

*Spectators*, who read online information but do not join groups or post anywhere, are the largest group in most countries. *Inactives* are online users who do not participate in any digital online media, but their numbers are dwindling.

Marketers need to consider what proportion of online consumers are creating, conversing, rating, collecting, joining, or simply reading online materials. As in traditional marketing efforts, they need to know their target market. For instance, where spectators make up the majority of the online population, companies should post their own corporate messages through blogs and websites promoting their organizations.

## USING DIGITAL MEDIA TO LEARN ABOUT CONSUMERS

Marketing research and information systems can use digital media and social networking sites to gather useful information about consumers and their preferences. Sites such as Twitter and Facebook can be good substitutes for focus groups. Online surveys can serve as an alternative to mail, telephone, or personal interviews.

*Crowdsourcing* describes how marketers use digital media to find out the opinions or needs of the crowd (or potential markets). Communities of interested consumers join sites such as threadless.com, which designs T-shirts, or crowdspring.com, which creates logos and print and web designs. These companies give interested consumers opportunities to contribute and give feedback on product ideas. Crowdsourcing lets companies gather and use consumers' ideas in an interactive way when creating new products.

Consumer feedback is an important part of the digital media equation. Ratings and reviews have become exceptionally popular; 25 percent of the U.S. online population reads this type of consumer-generated feedback.<sup>75</sup> Retailers such as Amazon, Netflix, and Priceline allow consumers to post comments on their sites about the books, movies, and travel arrangements they sell. Today, most online shoppers search the Internet for ratings and reviews before making major purchase decisions.

Although consumer-generated content about a firm can be either positive or negative, digital media forums do allow businesses to monitor closely what their customers are saying. In the case of negative feedback, businesses can communicate with consumers to address problems or complaints much more easily than through traditional communication channels. Yet despite the ease and obvious importance of online feedback, many companies do not yet take full advantage of the digital tools at their disposal.

---

**LO 13-5** Identify legal and ethical considerations in digital media.

---

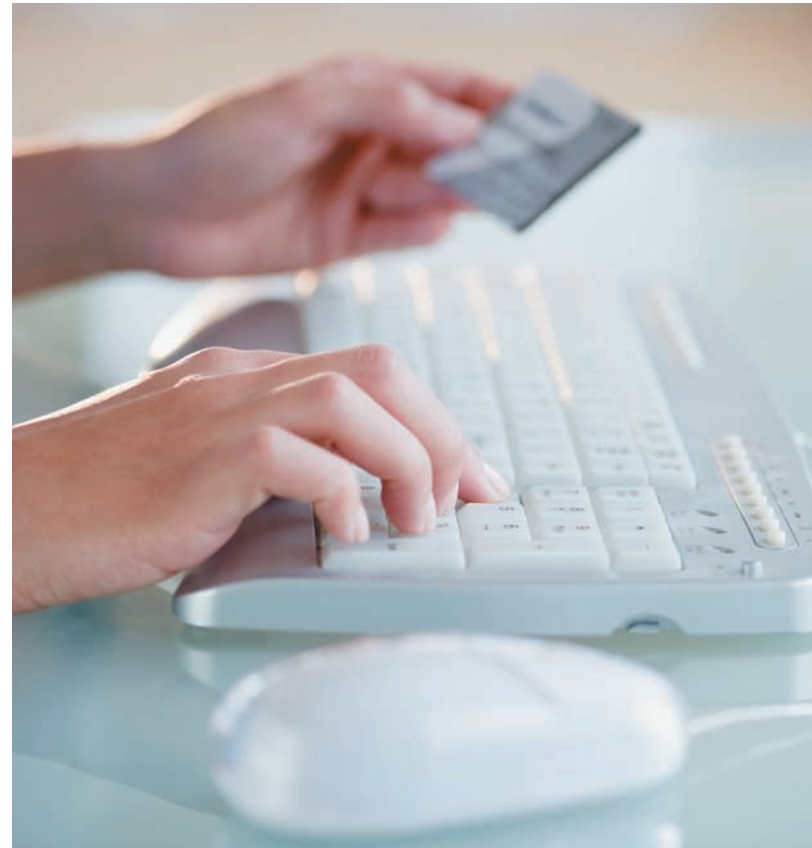
## LEGAL AND SOCIAL ISSUES IN INTERNET MARKETING

The extraordinary growth of information technology, the Internet, and social networks has generated many legal and social issues for consumers and businesses. These issues include privacy concerns, the risk of identity theft and online fraud, and the need to protect intellectual property. The U.S. Federal Trade Commission (FTC) compiles an annual list of consumer complaints related to the Internet and digital media. We discuss these in this section, as well as steps that individuals, companies, and the government have taken to address them.

### Privacy

Businesses have long tracked consumers' shopping habits with little controversy. However, observing the contents of a consumer's shopping cart or the process a consumer goes through when choosing a box of cereal generally does not result in the collection of specific, personally identifying data. Although using credit cards, shopping cards, and coupons forces consumers to give up a certain degree of anonymity in the traditional shopping process, they can still choose to remain anonymous by paying cash. Shopping on the Internet, however, allows businesses to track them on a far more personal level, from the contents of their online purchases to the websites they favor. Current technology has made it possible for marketers to amass vast quantities of personal information, often without consumers' knowledge, and to share and sell this information to interested third parties.

How is personal information collected on the web? Many sites follow users online by storing a cookie, or an identifying string



*About three-quarters of online shoppers read ratings and reviews before making a decision.*

of text, on users' computers. Cookies permit website operators to track how often a user visits the site, what he or she looks at while there, and in what sequence. They also allow website visitors to customize services, such as virtual shopping carts, as well as the particular content they see when they log onto a web page. Users have the option of turning off cookies on their machines; nevertheless, the potential for misuse has left many consumers uncomfortable with this technology.

Facebook and other social networking sites have also come under fire for privacy issues. Facebook and Google both agreed to undergo independent privacy audits for 20 years due to alleged privacy transgressions. The Federal Trade Commission determined that Facebook's 2009 changes to its privacy policies were done without warning users. It charged Google with using the personal information from its Gmail users for its Google Buzz service, despite telling users otherwise. Such changes were deemed to have violated users' rights to know how their information was being used.<sup>76</sup> Another Internet privacy issue occurring more frequently is scraping, an activity by which companies offer to collect personal information from social networking sites and other forums.

Due to consumer concerns over privacy, the Federal Trade Commission (FTC) is considering developing regulations that would protect consumer privacy better by limiting the



**identity theft** occurs when criminals obtain personal information that allows them to impersonate someone else to use their credit to access financial accounts and make purchases

**online fraud** any attempt to conduct fraudulent activities online

amount of consumer information that businesses can gather online. Other countries are pursuing similar actions. The European Union passed a law requiring companies to get users' consent before using cookies to track their information. In the United States, one proposed solution for consumer Internet privacy is a "do not track" bill, similar to the "do not call" bill for

telephones, to allow users to opt out of having their information tracked.<sup>77</sup> Although consumers may welcome such added protections, web advertisers, who use consumer information to target advertisements to online consumers, see it as a threat. In response to impending legislation, many web advertisers are attempting self-regulation to stay ahead of the game. For instance, the Interactive Advertising Board is encouraging its members to adopt a do-not-track icon that users can click to avoid having their online activity tracked. However, it is debatable whether members will choose to participate or honor users' do-not-track requests.<sup>78</sup>

## Identity Theft

**Identity theft** occurs when criminals obtain personal information that allows them to impersonate someone else to use the person's credit to access financial accounts and make purchases. Many of these breaches occur at banks, universities, and other businesses that contain sensitive consumer information.<sup>79</sup> This requires organizations to implement increased

security measures to prevent database theft. As you can see in Figure 13.3, the most common complaints relate to government documents/benefits fraud, followed by credit card fraud, utility fraud, bank fraud, and employment fraud.

The Internet's relative anonymity and speed make possible both legal and illegal access to databases storing Social Security numbers, drivers' license numbers, dates of birth, mothers' maiden names, and other information that can be used to establish a credit card or bank account in another person's name to make fraudulent transactions. One growing scam used to initiate identity theft fraud is the practice of *phishing*, whereby con artists counterfeit a well-known website and send out e-mails directing victims to it. There visitors find instructions to reveal sensitive information such as their credit card numbers. Phishing scams have faked websites for PayPal, AOL, and the Federal Deposit Insurance Corporation.

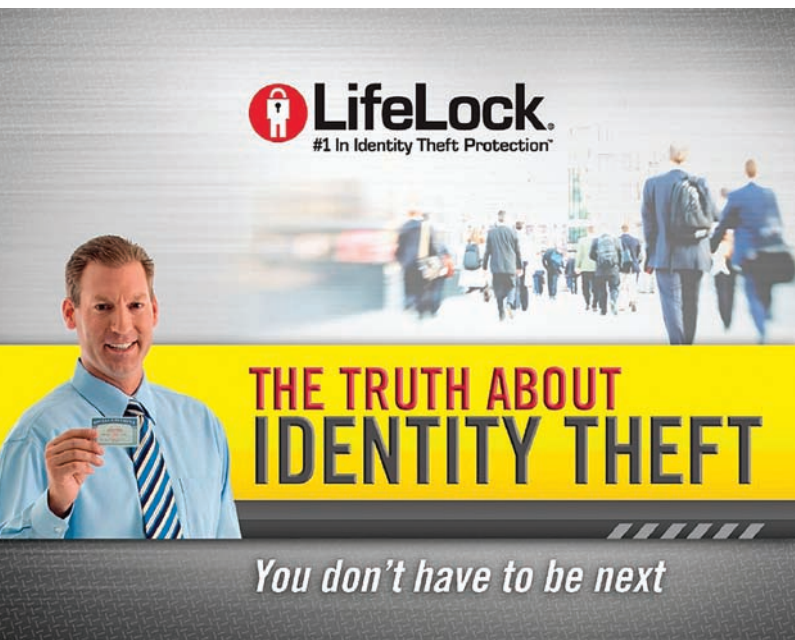
Some identity theft problems are resolved quickly, whereas other cases take weeks and hundreds of dollars before a victim's bank balances and credit standings are restored. To deter identity theft, the National Fraud Center wants financial institutions to implement new technologies such as digital certificates, digital signatures, and biometrics—the use of fingerprinting or retina scanning.

## Online Fraud

**Online fraud** includes any attempt to conduct fraudulent activities online, such as by deceiving consumers into releasing personal information. It is becoming a major source of frustration among users of social networking sites because cybercriminals are finding new ways to use sites such as Facebook and Twitter to commit fraudulent activities. For instance, they will create profiles under a company's name either to damage the company's reputation (particularly larger, more controversial companies) or to lure that company's customers into releasing personal information the perpetrators can use for monetary gain.

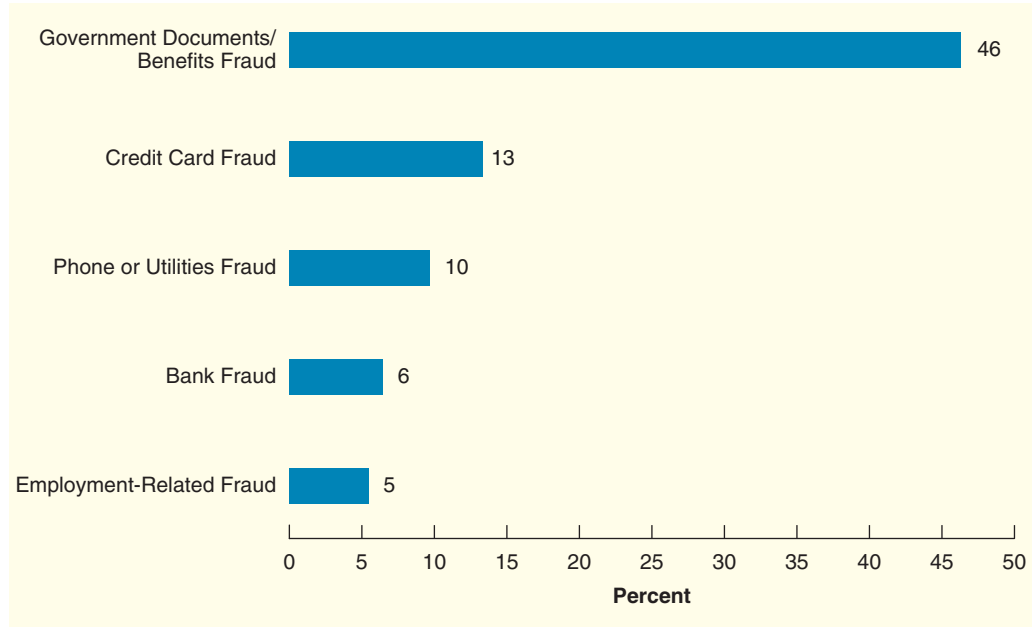
Mobile payments are another concern. It is estimated that with the growing use of mobile transactions, fraud will make up 1.5 percent of mobile transactions within the next few years.<sup>80</sup> Cybercriminals also create fake social network profiles to con people during times of natural disasters. Some criminals have posed as charitable institutions to solicit donations, whereas others have used fraudulent tactics to convince users to release their personal information. The best way for people to avoid being scammed through social media sites is to research charities before giving. After Hurricane Sandy, Apple and the Red Cross joined together to offer consumers a safe system for donating using their iTunes accounts.<sup>81</sup>

Despite any number of safeguards, the best protection for consumers is to be careful when they divulge information online. The surest way to stay out of trouble is never to give out



LifeLock protects consumers from identity theft by offering its identity theft protection system.

**FIGURE 13.3**  
Main Sources of Identity Theft



**Source:** Federal Trade Commission, *Consumer Sentinel Network Data Book: January–December 2012*, February 2013, <http://www.ftc.gov/sentinel/reports/sentinel-annual-reports/sentinel-cy2012.pdf>.

personal information, like a Social Security or credit card number, unless it is a site you trust and that you know is legitimate.

## Intellectual Property

In addition to protecting personal privacy, Internet users and others want to protect their rights to property they may create, including songs, movies, books, and software. Such intellectual property consists of the ideas and creative materials developed to solve problems, carry out applications, and educate and entertain others.

Although intellectual property is generally protected by patents and copyrights, each year losses from the illegal copying of computer programs, music, movies, compact discs, and books reach billions of dollars in the United States alone. This has become a particular problem with digital media sites. YouTube has often faced lawsuits on intellectual property infringement. With millions of users uploading content to YouTube, it can be hard for Google to monitor and remove all the videos that may contain copyrighted materials. The file hosting service Megaupload was shut down and owner Kim Dotcom arrested after prosecutors accused the site of being

a front for massive Internet piracy. Legitimate users of the site were cut off from their files as well.<sup>82</sup>

Illegal sharing of content is another major intellectual property problem. Consumers rationalize the pirating of software, video-games, movies, and music for a number of reasons. First, many feel they just don't have the money to pay for what they want. Second, because their friends engage in piracy and swap digital content, some users feel influenced to engage in this activity.

Others enjoy the thrill of getting away with something with a low risk of consequences.

And finally, some people feel being tech-savvy allows them to take advantage of the opportunity to pirate content.<sup>83</sup>

The software industry loses more than \$50 billion globally each year due to theft and illegal use of software products, according to the Business Software Alliance.<sup>84</sup> About 90 percent of illegal software copying is actually done by businesses. For example, a firm may obtain a license to install a specific application on 100 of its computers but actually installs it on 300. In some cases, software is illegally made available through the Internet by companies that have taken the software from the producer and set up their own distribution system.

### TEAM EXERCISE

Develop a digital marketing promotion for a local sports team. Use Twitter, Facebook, and other social networking media to promote ticket sales for next season's schedule. In your plan, provide specific details and ideas for the content you would use on the sites. Also, describe how you would encourage fans and potential fans to go to your site. How would you use digital media to motivate sports fans to purchase tickets and merchandise and attend games?

## SO YOU WANT TO BE // a Digital Marketer /

The business world has grown increasingly dependent on digital marketing to maintain communication with stakeholders. Reaching customers is often a major concern, but digital marketing can also be used to communicate with suppliers, concerned community members, and special interest groups about issues related to sustainability, safety practices, and philanthropic activities. Many types of jobs exist: Account executive directors of social media and director of marketing for digital products as well as digital advertisers, online marketers, global digital marketers, and brand managers are prominently listed on career opportunity websites.

Entrepreneurs are taking advantage of the low cost of digital marketing, building social networking sites to help market their products. In fact, some small businesses such as specialty publishing, personal health and beauty, and other specialty products can use digital marketing as

the primary channel for reaching consumers. Many small businesses are posting signs outside their stores with statements such as “Follow us on Twitter” or “Check out our Facebook page.”

Using digital marketing, especially social networking, requires more than information technology skills related to constructing websites, graphics, videos, podcasts, and so on. Most important, one must be able to determine how digital media can be used in implementing a marketing strategy. All marketing starts with identifying a target market and developing a marketing mix to satisfy customers. Digital marketing is just another way to reach customers, provide information, and develop relationships. Therefore, your opportunity for a career in this field is greatly based on understanding the messages, desired level of interactivity, and connectivity that helps achieve marketing objectives.

As social media use skyrockets, digital marketing professionals will be in demand. The

experience of many businesses and research indicate digital marketing is a powerful way to increase brand exposure and generate traffic. In fact, a study conducted on Social Media Examiner found that 85 percent of marketers surveyed believe generating exposure for their business is their number-one advantage in Internet marketing. As consumers use social networking for their personal communication, they will be more open to obtaining information about products through this channel. Digital marketing could be the fastest-growing opportunity in business.

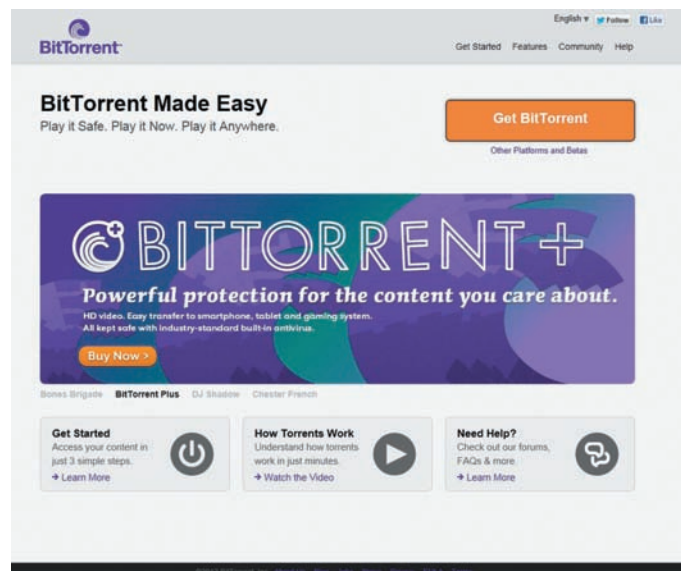
To prepare yourself for a digital marketing career, learn not only the technical aspects but also how social media can be used to maximize marketing performance. A glance at careerbuilder.com indicates that management positions such as account manager, digital marketing manager, and digital product manager can pay from \$60,000 to \$170,000 or more per year.

“DEVELOPING A STRATEGIC UNDERSTANDING OF HOW DIGITAL MARKETING CAN MAKE BUSINESS MORE EFFICIENT AND PRODUCTIVE IS INCREASINGLY NECESSARY.”

## DIGITAL MEDIA'S IMPACT ON MARKETING

To be successful in business, you need to know much more than how to use a social networking site to communicate with friends. Developing a strategic understanding of how digital marketing can make business more efficient and productive is increasingly necessary. If you are thinking of becoming an entrepreneur, then the digital world can open doors to new resources and customers. Smart phones, mobile broadband, and webcams are among the tools that can make the most of an online business world, creating greater efficiency at less cost. For example, rather than using traditional phone lines, Skype helps people make and receive calls via the Internet and provides free video calling and text messaging for about 10 percent of the cost of a land line.<sup>85</sup> It is up to businesses and entrepreneurs to develop strategies that achieve business success using existing and future technology, software, and networking opportunities.

Traditional businesses accustomed to using print media can find the transition to digital challenging. New media may require



The file-sharing protocol BitTorrent allows users to share and download files. The U.S. Copyright Group recently obtained the IP addresses of users who downloaded specific movies using BitTorrent technology and are taking action against thousands of BitTorrent users for illegally downloading protected content.



## learn, practice, apply digital marketing strategies!

*M: Business* was developed just for you—students on the go who need information packaged in a concise yet interesting format with multiple learning options.

Check out the book's website to:

- Analyze ways to turn digital products into successful revenue-generators. (Solve the Dilemmas)
- Determine the types of digital media that would be helpful for promoting a product. (Build Your Skills)
- Practice planning digital marketing campaigns using digital media. (Build Your Skills)

While you are there, don't forget to enhance your skills. Practice and apply your knowledge, review the practice exercises, Student PPT® slides, and quizzes to review and apply chapter concepts. Additionally, *Connect® Business* is available for *M: Business*.

[www.mhhe.com/ferrellm4e](http://www.mhhe.com/ferrellm4e)

employees with new skills or additional training for current employees. There is often a gap between technical knowledge of how to develop sites and how to develop effective digital marketing strategies to enhance business success. Determining the correct blend of traditional and new media requires careful

consideration; the mix will vary depending on the business, its size, and its target market. Future career opportunities will require skills in both traditional and digital media areas so that marketers properly understand and implement marketing strategies that help businesses achieve a competitive advantage. ■