

# A Study on Digitalization in Marketing Mix

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## Introduction

It has been nearly a quarter century since the commercial use of the Internet and the World Wide Web began. During this time the business landscape has changed at a frenetic pace. Large multinational corporations such as Google, Face book, Amazon, Alibaba, EBay and Uber, unheard of twenty years ago, have emerged as key players in our modern economy. In 2015, online sales accounted for 7.4% of overall retail spending in the U.S., the highest percentage since tracking began in 1999. Sales made through mobile devices have increased at a rapid rate to between 22% and 27% of all online sales. Corporations now highlight the importance of creating a "digital relationship" with customers. Moreover, digital technologies and devices such as smartphones, smart products, the Internet of Things (IoT), Artificial Intelligence, and deep learning all promise significant transformations of consumers' lives shortly. It is against this backdrop that this paper seeks to understand how the developments in digital technology are re-shaping the process and the strategy of marketing, and the implications of this transformation for research in the broad space we call "digital marketing."

## Marketing Actions

### Product

The concept of the product is undergoing a rapid transformation in the digital age. First, the augmentation of the core product with services is becoming increasingly digital, wherein the core value of the product is increased with the value derived from digital enhancements (e.g., automobiles with GPS systems, sensor-based self-driving technologies). Second, the networking of products preferences and price sensitivities for products and services with different features and options. Examined the tradeoff between mass customization utility and complexity in the design of menus, and found that mass customization configurations have higher utility for customers with expertise than for customers with low product expertise and complexity had the lower negative impact on the

product utility for the experts. Focused on reducing the complexity of mass customization by providing starting solutions for customers while at the same time maintaining all of the advantages of customization. The research on decision aids is also relevant in this context. While the concept of the product has undergone a complete transformation in the case of digital formats, there are recent business models in which the core product remains the same but the augmentation is achieved through digital services. Examples of such business models include Airbnb, Uber, and Lyft, which release the inherent value in products for rentals using digital technologies and networks. While these business models can also be seen as platforms, from the perspective of product design the fact that they are shared or rented may have special significance. Other examples of augmentation of core products through digital services include innovations such as self-driving automobiles, networked automobiles providing complementary services using apps, etc.

### **Price**

Digital products and services have very low or zero marginal cost for production and distribution. This has important implications for pricing and revenue models, especially in the context of product lines consisting of traditional formats as well as digital formats. Examined optimal pricing of online and offline content (magazines and journals) and showed that the online format can lead to higher profits acting as a device for price discrimination. While they assumed consumers buy one or the other format, showed that consumers are heterogeneous in their perception of substitutability and complementarity of formats and that higher profits can be achieved by bundling formats. Focused on freemium models in the context of newspapers and magazines in the presence of advertising revenue. Constructed a menu of content subscription bundles that maximizes total profit from both consumers and advertisers in the context of a similar newspaper platform and provided insights into profit-maximizing menus under the various business model and format strategies. Focusing on content platforms, examined the question of how much content should be free and when firms should charge a fee. They found that firms can increase revenue by flexibly adjusting the amount of content they offer against a fee instead of setting a static paywall as many content providers do. The flexibility depends on the heterogeneity in consumer demand and therefore can be dynamic. Focused on ad-free freemium products like Dropbox and developed optimal pricing strategies using structural models.

### **Promotion**

Many online retailers recommend products to their customers using collaborative filtering or adaptive personalization. These can be viewed as augmented services around the core product (like Netflix’s recommendation system) or as a personalized promotion. Focusing on such systems, developed a Bayesian preference model which considers the customer’s preference heterogeneity and product heterogeneity. In their research, the unobserved attributes can be imputed with data augmentation from the observed rating data. Account for the endogenous selection in online recommendation ratings. They found that jointly examining the selection to rate a product and the corresponding ratings can improve recommendation quality. Made a distinction between the self-initiated purchase and the recommendation response and modeled the influence of a firm’s recommendation on customers’ purchase behaviors. He found that the model based on the expected response of the customer to a recommendation performs better than the traditional recommendation methods that merely recommend an item that a customer is highly likely to buy based on past preferences. Have proposed an adaptive personalization system for online music (digital audio players) to adaptively personalize the service, fine-tuning the service over time for each customer, based on observation of that customer’s behavior. Such closed-loop feedback systems render the systems to be highly effective.

## Place

There has been extensive research on consumer behavior in online channels, the effectiveness of online channels and forms of interactions on online channels, which has been subsumed in the discussion on Digital Environment as well as in the section on Marketing Research. We focus on the newer channels in this sub-section as well as multi-channel, omnichannel issues. With the advent of new mobile devices such as smart phones and tablets, device attributes and the consumers' usage of these devices have significant implications for marketing. Using the data of microblogging users compared users' Internet browsing behaviors on mobile phones versus their browsing behaviors on personal computers. The research found that ranking effects were stronger for mobile phones: when a post moved up by one position, the click-through rates increased by 37%, which was 12% higher than the increase due to a one position movement upward on PCs. They attributed such differences to the smaller screen size and correspondingly higher search costs on mobile phones. Also, they found the click-through rates are higher for geographically proximate brand posts - a 23% increase in click-through rates for brand posts one mile closer in the distance on mobile phones and a 12% increase for posts on PC. Both of these findings highlight how browsing behaviors differ significantly on mobile phones and PCs. Analyzed the effectiveness of mobile targeting strategies - temporal targeting and geographical targeting, in a large-scale field experiment

## Marketing Research

The digital environment produces a vast array of data ranging from clickstream data, customer reviews and ratings, blogs, tags, and social interaction data, to customer responses to marketing actions and information on collaborators and competitors. This data is very informative for a firm to understand online customer behavior, develop marketing strategies, and measure the effectiveness of its actions and tactics on marketing outcomes. In this section, we focus on empirical research that is centered on understanding the digital environment and relating the digital environment to the outcomes of marketing actions. Early research on the digital environment by proposed a structural model of consumer navigation behavior in the digital environment that incorporated the notion of flow. Later, the model was formalized with a quantitative analysis to relate the model to specific consumer behaviors online Based on the actual behavioral data customer clickstream analysis became popular. Modeled visitors' browsing behaviors at a website and examined visitors' decisions to continue browsing more pages (or exit) and the length of time spent on websites. The dynamics of browsing are consistent with lock-in and stickiness of the website and a visitor's learning over repeated visits. Using similar data, modeled online buying behavior of customers. Key findings included that the number of repeat visits is not indicative of purchase propensity and the availability of sophisticated decision aids does not guarantee conversion. Used clickstream data to empirically test a typology of store visits which varied with shoppers' underlying objectives – buying, browsing, searching or knowledge-building – and was able to categorize visits using the behavioral data. Such categorization helps to identify and target prospective buyers and design more effective and customized promotional message.

## Marketing Strategy

Two core marketing elements that a firm focuses on to maintain a sustainable competitive advantage are its brand and its customers. In this section, we focus on recent research related to these elements of marketing strategy that are not specifically captured in the other sections – and address how a firm should strategically manage its brand and customers in the ever-changing digital landscape. The introduction of new channels, new shopping devices, and new customer interactions calls for an updated understanding of the customer management and brand management

and requires the firms to re-define their marketing mix metrics and CRM metrics. For example, examined the impact of social interactions on customer churning and reported that the churning rate is higher for a customer who is connected with previously churned individuals. Discussed how social media would re-shape the “social CRM” strategies and emphasized that customer value includes not only the purchase-based value but also the value of their social influence. Given that some elements of customer value are impacted significantly by digital technologies, such research calls for a more inclusive definition of customer value. In this content, have provided useful frameworks to understand the role of customer experience and customer engagement afforded by digital technologies in creating value for customers as well as increasing customer lifetime value.

### **Conclusion**

Our key objective in this paper is to set an agenda for research in digital marketing. We have defined digital marketing in the broadest sense and we have developed and proposed a framework that highlights the touchpoints in the marketing process as well as in the marketing strategy process where digital technologies play a key role. Using this framework we have organized and reviewed the extant research around these touchpoints. The unresolved questions in each area we have identified above can benefit from future research, so we have integrated all these questions into a broad agenda in. We have purposely synthesized the research issues at a high level to stimulate more detailed and specific research aided by our framework. We leave it for other researchers to delve into these issues. The extant survey papers we identified should complement this paper well. To keep our analysis tractable we have focused only on papers in the marketing domain. However, there are several important contributions in the area of information systems, operations management and economics which could complement our work. Finally, we have some observations regarding the research process that will lead to useful knowledge. It is imperative that academic- and practitioner- communities work together to tackle these research issues. For one, the pace of digital technology development has increased tremendously.

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