1 Digital Marketing Mix

Welcome to the world of digital marketing! The development of the Internet can be traced from 1991 when the creation of Hypertext mark-up language enabled the sharing of documents over the World Wide Web (Chaffey et al., 2009). Early use of the Internet required not only technical expertise but also access to computer hardware and software (Breitenbach and Van Doren, 1998). However, developments in software, the launch of the Netscape browser and the rise in the number of households with personal computers all contributed to an expansion of personal and commercial use which is continuing today (Chaffey et al., 2009). Indeed, with 4G and mobile phone access the Internet has become "potentially available to all." (Wyatt et al., 2002:25). In this chapter we examine how marketing practices have been translated to the digital medium, beginning with a discussion of market segmentation and the marketing mix.

Market segmentation

Having a mass marketing strategy – where one product and marketing plan fits all – is no longer a prominent view in marketing academia and practice. Even commodity products, such as salt or water, are targeted to meet the needs of different market segments. Market segmentation is the process of identifying "homogenous subsets of the mass market by clustering (grouping) customers on a set of variables" (Kara and Kaynak, 1997). In general terms, there are two ways in which marketers can segment their market:

- **A-priori** segmentation where the classification variables are set from the beginning, and then buyers are put into a group based on those variables. An example of this would be a mobile phone manufacturer who decides to divide the market into two segments by gender (male and female) and then designs a marketing mix that is gender specific

- **Post hoc** segmentation, where the marketer uses research to cluster individuals into distinct groups, based on similarity in response scores to a combination of criteria that can include behavioural, psychological, demographic and geographic variables (Wind, 1978). In contrast to a-priori the criteria by which groups will be divided is not deductively imposed on the groups but inductively generated. If the mobile phone manufacturer selected this approach they could identify market segments based on attitude towards technology, location and extent of phone use.

The market segment that a marketer decides to focus on is known as the *target audience*. One company can have several target audiences. For examples, a cereal company such as Kellogg's have target audiences based on age (kids and adults), and also target markets based on psychographic variables such as lifestyle (people on a diet, people looking for high fibre breakfast, people craving for a tasty breakfast). A particular market segment of interest to digital marketers are Millennials, a generational cohort that were born between 1981 and 1997. Millennials have grown up being familiar with and using digital technology (Taken Smith, 2012). In addition to segmenting Millennials a-priori according to age, researchers have undertaken post-hoc segmentation to further separate individuals into distinct target markets. For example, Tanyel et al. (2013) examine attitudes to internet advertising amongst Millennials. Marketers use the insight gained from segmentation to position their product in the marketplace using an appropriate formulation of the marketing mix.

Positioning

Positioning is the way a target audience perceives a product or service in relation to its competitors. The judgement will be based on previous experience and signals given by the marketing mix components. After conducting a strategic marketing analysis, a brand can choose to assume a particular position within a marketplace. Baines et al. (2011) identify four key market positions

- **Market leader** – when taking this position the brand communicates that: it sets standards; it continually innovates and claims the largest market share. In the design and execution of its marketing mix it will indicate that it clearly excels on key consumer decision-making criteria. An example of a market leader would be the Apple i-phone.

- **Market challenger** – when taking this position the brand seeks to beat the market leader in one or more areas of key performance in order to gain market supremacy. The emphasis will be placed on being better than the market leader in particularly important areas. The market challenger signals that it aims to be the market leader of the future through its selection of important areas. An example of a market challenger would be the Google phone.
- **Market follower** – when taking this position the brand accepts that it will have a lower market share but that it can maintain and defend this position by learning from the market leader in the field. A market follower copies the successes and avoids the mistakes of the market leader, this is called a me-too approach. An example of a market follower would be an LG phone.
- **Market nicher** – when taking this position the brand seeks to be recognised as a specialist in a clearly delimited area. The purpose is that by meeting the needs of a small subset of the total market the brand can take a position that is defendable and profitable. An example of a market nicher would be the Zanco Fly – a phone that is made entirely of plastic and undetectable by scanning devices.

To position a product successfully within the market, an appropriate formulation of the marketing mix is required. The marketing mix has changed in response to the technological changes of the last two decades, thus it is important to consider each element of the digital marketing mix.

Marketing mix elements

The marketing mix is a prominent model within marketing education, and it is widely used among practitioners. Developed in the late 60s by Borden (1964) and then refined to its most popular stage (the 4Ps) by Jerome McCarthy (1964), it provides a framework that is easy to understand and apply. The four elements of the marketing mix are: Product, Place, Price and Promotion (Table 1.1).