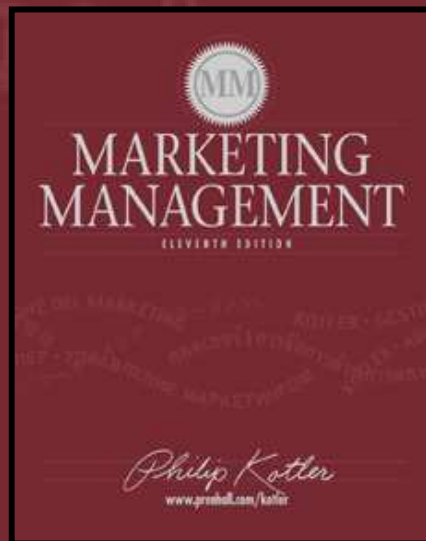


Chapter 2

Adapting Marketing To The New Economy

by *Philip Kotler*



PowerPoint by
Milton M. Pressley
University of New Orleans

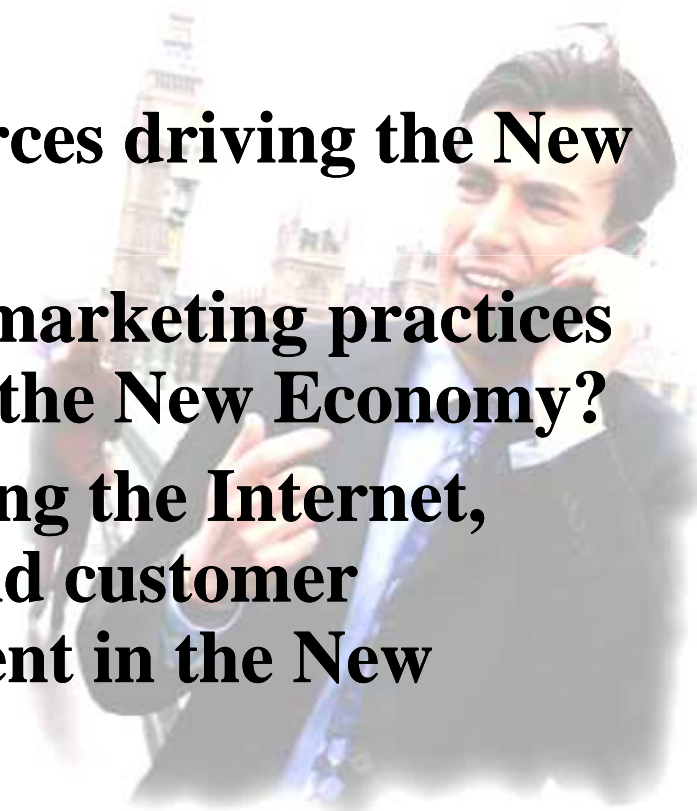
Kotler on Marketing

*The Internet will
create new winners
and bury the
laggards.*



Chapter Objectives

- **In this chapter, we will address the following questions:**
 - **What are the major forces driving the New Economy?**
 - **How are business and marketing practices changing as a result of the New Economy?**
 - **How are marketers using the Internet, customer databases, and customer relationship management in the New Economy?**

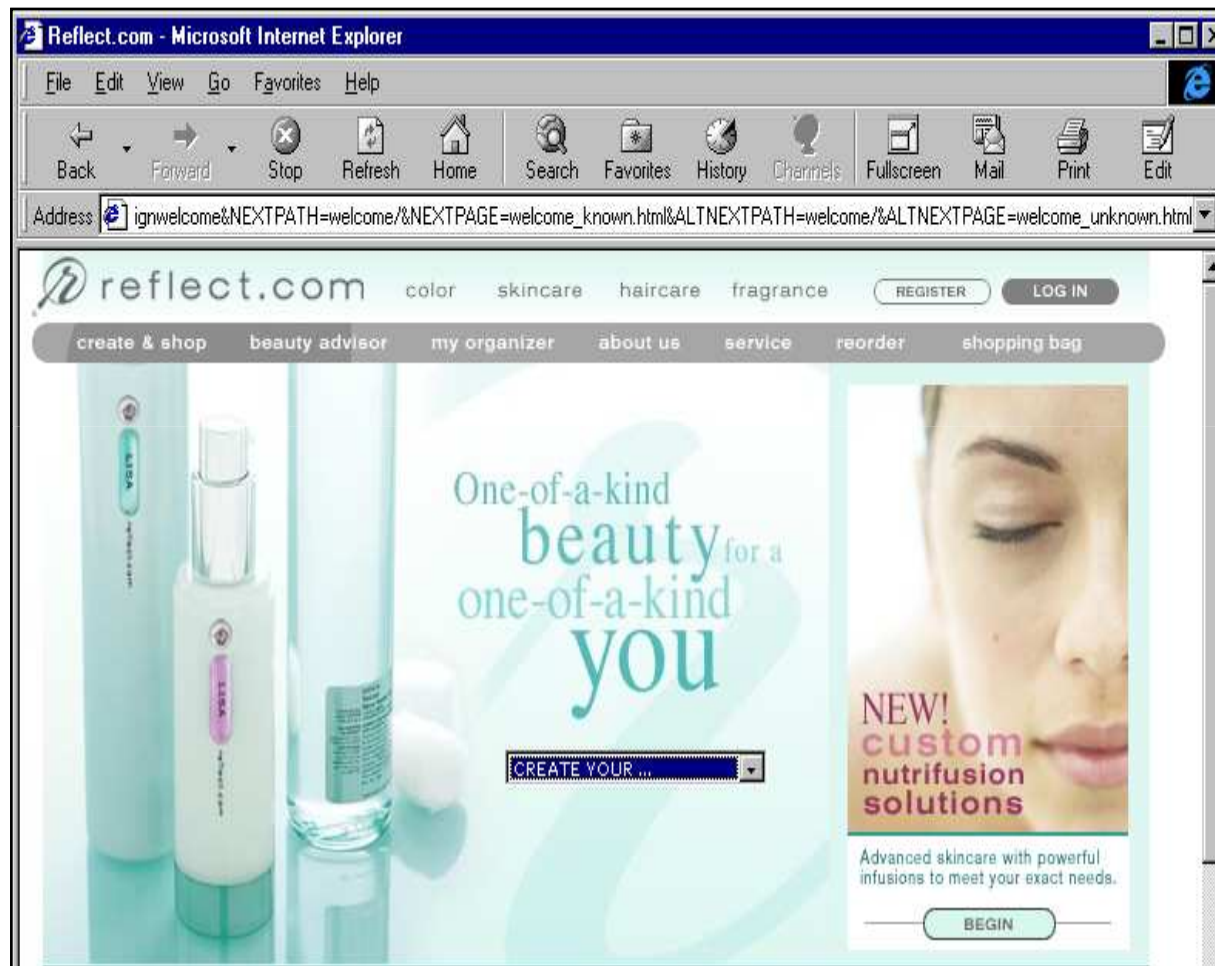


Adapting Marketing to the New Economy

- **Major Drivers of the New Economy**
 - **Digitization and Connectivity**
 - **Disintermediation and Reintermediation**
 - **Customization and Customerization**



Procter & Gamble's Reflect.com site allows customers to design their own beauty products



Adapting Marketing to the New Economy


- **Industry Convergence**
 - **How Business Practices are Changing**
 - **Organize by product units to organize by customer segments**
 - **Shift focus from profitable transactions to customer lifetime value**
 - **Shift focus from financial scorecard to also focusing on the marketing scorecard**
 - **Shift focus from shareholders to stakeholders**
- 

Table 2-1: Old Economy vs. New Economy

Old Economy	New Economy
<p>Organize by product units Focus on profitable transactions Look primarily at financial scorecard Focus on shareholders Marketing does the marketing Build brands through advertising Focus on customer acquisition No customer satisfaction measurement Overpromise, underdeliver</p>	<p>Organize by customer segments Focus on customer lifetime value Look also at marketing scorecard Focus on stakeholders Everyone does the marketing Build brands through behavior Focus on customer retention and growth Measure customer satisfaction and retention rate Underpromise, overdeliver</p>

Adapting Marketing to the New Economy

- **Everyone does the marketing**
- **Build brands through performance, not just advertising**
- **Customer retention rather than customer acquisition**
- **From none to in-depth customer satisfaction measurement**
- **From over-promise, under-deliver to under-promise, over-deliver**
- **The New Hybrid**

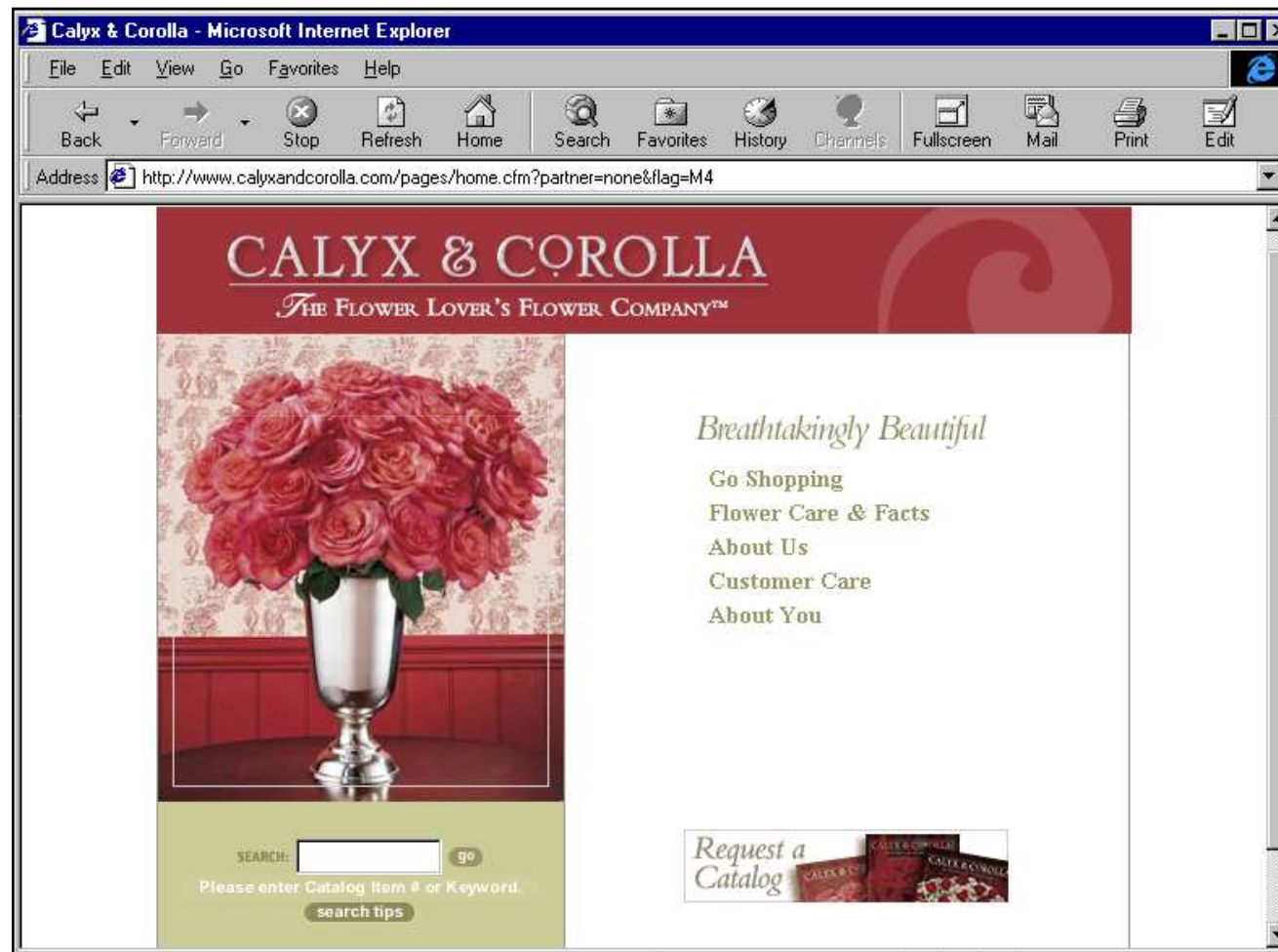


Adapting Marketing to the New Economy

- **How Marketing Practices are Changing: E-Business**
 - E-business
 - E-commerce
 - E-purchasing
 - E-marketing
- **Internet Domains: B2C (Business to Customer)**



Customers can shop online at Calyx and Corolla or ask for a catalog and shop by phone

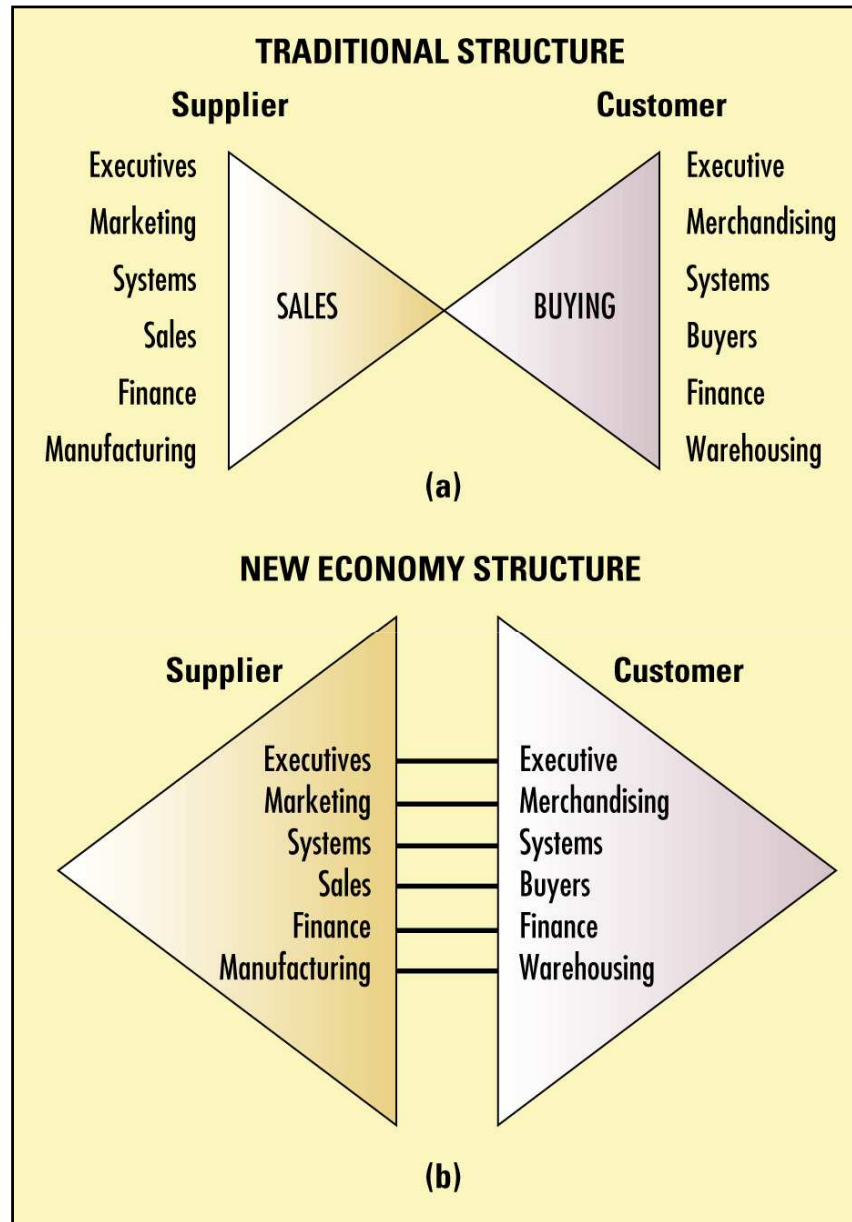


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- **Internet Domains: B2B (Business to Business)**



**Figure 2-1:
The Supplier-
Customer
Relationship:
Traditional and
New Economy
Structures**



www.transora.com: global online marketplace for the consumer packaged goods industry

Microsoft Internet Explorer

Address: <http://www.transora.com/>

WELCOME TO TRANSORA

A SINGLE POINT OF CONNECTIVITY. The leading global eMarketplace for the consumer packaged goods industry, Transora offers an integrated array of collaborative solutions to eliminate inefficiencies throughout the supply chain to deliver breakthrough value.

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Explore Transora by geographic area in the language of your choice.
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"Live to Load!"
Check out our [Data Catalogue Forum](#)

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Capture price and operational efficiencies
[CPFR@enabled by Transora](#)
Streamline your supply chain

IT Collaborative Sourcing
Transora forms e-sourcing alliance with Computer Sciences Corporation.
Find out more at [What's New](#) at Transora

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[Press Center](#)
[Newsletter: The Link](#)

VALUE CALCULATOR
Realize ROI in one year. See how much value services offer.
[CPFR Calculator](#)

COMMUNITY
[Quick Poll](#)
Have you taken our latest [quick poll](#)? Also, visit our quick poll



Adapting Marketing to the New Economy

- **Internet Domains: C2C (Consumer to Consumer)**
- **Internet Domains: C2B (Customer to Business)**
- **Pure Click vs. Brick and Click Companies**
 - **Pure-click companies**



CarPoint, leading metamediary for car buying, is a pure click company: It exists only on the Web.



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- **Brick and Click companies**



Discussion Question

Which is more important for developing an e-presence: the agility of a pure click company, or the well defined and readily identifiable resources of a traditional brick and mortar company?



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- **How Marketing Practices are Changing: Setting Up Web Sites**
 - **Designing an Attractive Website**
 - **Seven elements of effective sites**
 - **Context**
 - **Content**
 - **Community**
 - **Customization**
 - **Communication**
 - **Connection**
 - **Commerce**



Discussion Question

Would you be willing to give up one or more of the seven elements of an effective web site in order to speed the deployment of a new company e-commerce site?

What would the expected trade-offs be between an effective site and an early web presence?



**Table 2-2:
Setting
Up a
Dot-com
Presence**

Attracting and Keeping Visitors

How can we get more prospects to know and visit our site?

How can we use marketing to spread word-of-mouth?

How can we convert visitors into repeaters?

How do we make our site more experiential and real?

How can we build a strong relationship with our customers?

How can we build a customer community?

How can we capture and exploit customer data for up-selling and cross-selling?

How much should we spend on building and marketing our site?

Advertising on the Internet

What are the various ways that we can advertise on the Internet?

How do we choose the right sites for placing our ads or sponsorship?

See text for complete table

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- **Context factors**
- **Content factors**
- **Getting feedback**



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- **Placing Ads and Promotions Online**
 - **Banner ads**
 - **Sponsorships**
 - **Microsite**
 - **Interstitials**
 - **Browser ads**
 - **Alliances and affiliate programs**
 - **Push**



Infogate.com “pushes” targeted content and ads to those who are interested in a product or product category

Infogate - Microsoft Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channels Fullscreen Mail Print Edit

Address [n&nrel=final&camid=1&perschoice=personalize&bid=1&EPCookieTest=%2Freg2%2Fnewaccount.php&CookieStatus=enabled&page=download:index](#)

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I have been thrilled with Infogate's service and reliability...I find myself talking about your company at least once a week!
(Brian)



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- **Building a Revenue and Profit Model**
 - Advertising income
 - Sponsorship income
 - Membership and subscriptions
 - Profile income
 - Product and service sales
 - Transaction commission and fees
 - Market research/information
 - Referral income



Adapting Marketing to the New Economy

- **How Marketing Practices are Changing: Customer Relationship Marketing**
 - **Reduce rate of customer defection**
 - **Increase longevity of customer relationship**
 - **Enhance growth potential through cross-selling and up-selling**
 - **Make low profit customers more profitable or terminate them**



Adapting Marketing to the New Economy

- **Focus disproportionate effort on high value customers**



**Table 2-3: Mass Marketing vs.
One-to-One Marketing**

Mass Marketing	One-to-One Marketing
Average customer	Individual customer
Customer anonymity	Customer profile
Standard product	Customized market offering
Mass production	Customized production
Mass distribution	Individualized distribution
Mass advertising	Individualized message
Mass promotion	Individualized incentives
One-way message	Two-way messages
Economies of scale	Economies of scope
Share of market	Share of customer
All customers	Profitable customers
Customer attraction	Customer retention

Adapting Marketing to the New Economy

- **Four steps for One-to-One Marketing**
 - **Don't go after everyone, identify prospects.**
 - **Define customers by their needs and their value to the company.**
 - **Individual interaction with customers builds stronger relationships.**
 - **Customize messages, services, and products for each customer.**



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- **Customer Databases and Database Marketing**
 - **Customer mailing list**
 - **Business database**



Adapting Marketing to the New Economy

- **Data Warehouses and Data Mining**
 - **Using the database**
 - To identify prospects
 - To determine target market
 - To deepen customer loyalty
 - To reactivate customer purchases
 - To avoid serious customer mistakes
 - **The Downside of Database Marketing**

