



From digital pricing to digital marketing and digital distribution

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ABSTRACT

Contemporary digital markets tend to be different in several ways from the traditional ones. In this short paper the author tries to explain the main lines upon which contemporary companies try to implement their digital pricing, digital marketing, and digital distribution.

Keywords

Digital Marketing; Digital Distribution; Social Media; Digital Pricing.

Academic Discipline and Sub Discipline

Economics; Strategy; Management; Marketing

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INTRODUCTION

A distribution channel can include wholesalers, retailers, distributors and even the internet. Channels are broken into direct and indirect forms, with a "direct" channel allowing the consumer to buy the good from the manufacturer and an "indirect" channel allowing the consumer to buy the good from a wholesaler. Direct channels are considered "shorter" than "indirect" ones" (Investopedia, n.d.). But in order companies to distribute, they need to sell and selling is tightly bonded to advertising. Digital marketing has experienced a radical change in the way of thinking about customer communication. The eruption of digital technology offered to advertisers new brave ways in order to communicate more effectively than ever, reach new market segments which seemed to be unapproachable, and create brand awareness. Although digitization sometimes leads to splits in the customer base between the technology savvy and the tech-resistant ones, it is imperative for management to understand that improving and promoting digital products don't mean necessarily that traditional ones shouldn't be sold too (Docters et al., 2011).

DIGITAL PRICING

Digitized products are in demand more than ever nowadays. This fact per se created for the companies the need to think in a more digitized way about almost everything. The production chain which ends with the final product sells differently in many ways from the one twenty years before. More and more companies start their business online in order to reach more target groups in a global economy where distances are minimized and antagonism became more intensive. Pricing, is a very important paragon of the whole procedure of selling digital products.

Digital technology's rapid evolution the last years, in addition to the equally amazing evolution in disseminating content in different forms (textual, music or video), created a phenomenon which may seem oxymoron to some. While both companies and consumers suddenly had in their hands the power of choosing between different technologies and formats in order to create and consuming content, consumers seem to gain more value as they became more flexible in terms of which format to choose for their desired product, while companies faced this new challenge under mixed emotions due to the fact that some of them saw their value erode through the adoption of newer formats as compared to the old ones (Kannan P.K., 2013).

According to Docters et al. (2011, pp.4,5), management and project teams need to have in mind three main principles when they try to develop and implement a digital pricing strategy:

- i. *"Segmentation needs to reflect market evolution in a realistic manner"* (Docters et al., 2011). In simple words, managers need not to forget that although digitization is a very important evolution of business per se, sometimes traditional- analog products can sell more.
- ii. *"For the digital world, the "unit of charging" must change"* (Docters et al., 2011). This important principle says that instead of dollars per mile/book/movie etc. we should shift to dollars per digital event/user/application/per use etc. (Docters et al., 2011).
- iii. *"The cart can come before the horse"* (Docters et al., 2011). Because free is very often an option for digital products due to lower incremental costs, add-ons can precede the main product (Docters et al., 2011).

Some can argue that digital markets, at least some years before, were a blue ocean. Companies which were in the traditional red ocean business and those who were the first to join this digital blue ocean had to face different approaches in many terms. The main strategic point that differentiates blue and red oceans is the combination of differentiation and cost. In conventional strategic planning (red oceans) the goal is to choose between differentiation and low cost, while in the unconventional strategic planning (digital markets strategy) the goal is a combination of both, differentiation and low cost simultaneously (Kim and Mauborgne, 2004, p.82).

DIGITAL MARKETING

Companies are using several sources of information in order to use more effectively their marketing communications. Demographics is one main source for creating a data base in order to reach the right customers in the right way, by understanding the changes that might occur in their customer's lives-needs, as changes on income, occupation and educational level can occur during their lives (Best, 2014, p.161). They should also have a good understanding of their target- customers' habits in order to create the right customer awareness (Best, 2014, p.323). Large companies, like Ford, tend the last years to advertise their products via social media platforms such as Facebook. There are several reasons for doing that:

The first reason is because social media platforms are very cheap. As Steel et al. indicates (2011), Ford gave for 49 online videos advertising the new Focus as much as it gave for just 30-second TV commercials. So Facebook ads are really cheap.

The second reason is because Facebook is the very place where consumers are. We must never forget that Facebook in early 2011, claimed to have a base of 500 million people-users (Best, 2014, p.313). So, it is more than obvious that advertisers seek to advertise where the customers are, and they surely are on Facebook.



The third reason is the reason why companies get involved into advertisements anyway, which is in order to achieve brand awareness. Facebook attracts new customers-companies by promising brand awareness, along with more personal relationship with customers, something that the traditional ads cannot create in that extend (Best, 2014).

In order to determine how the marketing activities of a company interact in order to start and-or increase sales-purchasing, companies have to use data (Nichols et al. 2013, p.64). Data must be collected across several categories: market conditions, competitive activities, marketing actions, consumer response, business outcomes (Nichols et al., 2013, p.64) etc. After creating their data base, companies need to focus on the right analysis (analytics 2.0), in order to make the right steps-activities, which according to Nicholset al. (2013, p.63) are: attribution, advertising optimization, allocation.

One can come to the conclusion that the majority of companies are data driven, because from their ad copies and their general advertisement, one can easily understand that they are focused on specific market segments and population groups. Targeted advertisements in i.e. football sites, in which we can see car advertisements, means that marketers know exactly which are visiting such sites. Also, as advertisers try, through demographics, to understand their customers' needs, they try to produce for them the appropriate products. For example, many banks in Greece, understood society's vast problem in health insurance after the collapse of the public insurance sector and begun to sell new insurance products. In order to come to this level of market awareness, companies have to understand their customers' needs and their life style changes, something which can be accomplished via data bases.

Behind the very mechanisms of digital marketing we are going to find remarkable people, talented, insightful and innovative. In a very interesting article of Fischetti M. (2009) in the Scientific American(online), about Berner Lee, the creator of the World Wide Web, we realize that there is not such thing as success in any business without inspiration, vision and brain storming. As Berner Lee said about his vision "I designed the Web for a social effect—to help people work together," as he writes in Weaving the Web. "The ultimate goal is to support and improve our Web-like existence in the world. We clump into families, associations and companies, and connect between such groups. If we can produce a structure in the Web that allows us to work together harmoniously, then I can imagine a metamorphosis of society."(Lee Berner cited in Fischetti, 2009).

The advertisement campaigns of such companies use several digital tools in order to capture potential customers' attention in the first place. So, many companies are using the most common tool in advertising in the internet, which is Google. The Google search engine can be used, besides its functionality in order to find a company's web site etc., as an important advertisement tool by the use of many ads beside the search engine's results. While surfing is the most common way of capturing ones interest in the first place. Also another common way, although a more traditional one, are the ad copies. Ad copies, are playing a key role in creating awareness, comprehension and intentions in communicating the product and its benefits (Best, 2014).

Social media platforms

Companies nowadays are using social media platforms in order to lower barriers to purchase for their customers and to build a brand awareness via a bidirectional communication (Best, 2014, p.317).

Likeonomics, is based on the idea that "people buy from people they like" (Duncan, 2014). A very decisive paragon in order to cultivate a specific influence and to inspire some action to company's customers, is via "likes". Companies, according to Best(2014), can offer several promotions to their followers and track the "likes" each promotion gets, shared, commented on, in order to finally convert it to a sale. But many companies seem reluctant to pay for Facebook ads. Although advertisement via social media platforms can increase profits with a low budget, many companies "are skeptical about Facebook's ability to incorporate conventional advertising into the personal conversations that draw the network's massive audience"(Steel et al., 2011). If companies will not be very careful, that invasion of traditional ads into social space will probably backfires, as Facebook users are not respond very well when they feel that their social space is under attack.

After Facebook's first IPO day on Friday, May 18, 2012, "the fallout from Facebook's rocky IPO is making companies, especially those in the technology sector, cautious about going public"(Bulldogreporter.com, 2012). Although companies waited to leverage the Facebook's IPO¹ day and going public, after the rapidly decreased Facebook's stock, they reconsidered the whole venture.

Twitter is a microblogging service with a worldwide presence and in that sense it can provide a vast chance for advertising and communication. It can be used in order to inform clients and potential customers about new products, good deals, special promotions etc.(Best, 2014, p.315). The importance of Twitter nowadays is obvious as one can see almost in daily basis i.e. politicians to communicate with each other and with citizens by the use of twits.

There are several big companies worldwide which uses the social media and in general the digital technology in order to create communication bridges between them and their customers. Such companies are, big automobile companies, such

¹IPO: Initial Public Offering. IPOs are: "The first sale of stock by a private company to the public. IPOs are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded" (Investopedia.com,n.d.)



as Opel, with the “Opel connect” site (<http://www.opel-connect.com/>), its Facebook and Twitter presence and its Opel blogs, technology companies, such as LG (<https://twitter.com/LGUS>), with its “LG Twitter giveaway promotion”, big universities, such as Harvard which has its own social media platform and of course a strong presence in Facebook, Twitter (<https://twitter.com/Harvard>) and You Tube too, etc.

DIGITAL DISTRIBUTION

Technology companies, software firms, computer manufacturers, networking providers, have nowadays potential new customers all over the world. In order to reach these potential customers in such a huge market segment, they tend to use an indirect way of distribution channels. In that way of thinking, their vendors rely on third party companies, known as “resellers” or “solution providers”, which have some kind of relationships with them (i.e. subsidiaries). These companies are forming a distribution channel for the technology companies (Thakkar et al., n.d.) The last years, many software companies begun to follow a new approach to their distribution strategy. They started to abandon their traditional indirect distribution channels, we described above, and got into direct distribution. We have many such paradigms:

1. Dell implemented its direct to consumers and businesses model.
2. Netflix started the in-home video distribution which was a disruptive evolution of the in-store video rental.
3. Politico.com is the vivid example of the break-up of traditional newspapers.
4. Apple’s “AppStore”, was also a disruptive evolution, as it managed to sell software directly to customers via their android applications.
5. Software retail stores tend to almost disappear as they are being almost replaced by online software-shops (Ni, 2012).
6. Cloud application stores, such as “The cloud service marketplace and management platform”, “App- Direct”, which announced the launch of the App- Direct Marketplace Manager (Tantow M., 2012)
7. Google launched in 2013, its paid YouTube channels, which allows YouTube viewers to access premium video contents, with a monthly subscription, a 14 days free trial and even an annual rate (Cruz, 2013).

The explosion of digital and social media marketing is the most important change in marketing communications worldwide since the pre- television era, as Best (2014, p.308) indicates.

8. Many travel agents, such Thomas Cook, TUI etc., which in parallel with their distribution in-store network they use their web sites in order to address their products direct to their potential customers.

Some companies which have great distribution channels which also serves them as a strategic competitive advantage are the following:

- I. One company which has an enormous worldwide system, is Coca Cola. Coca Cola is a global business company which operates on a local scale. The company achieve its global reach via a global network-channel of more than 250 bottling partners worldwide (Coca-colacompany.com, n.d.).
- II. The **Feiyr.com** company, which publish customers’ music, audiobooks, eBooks and other audio productions worldwide on more than 300 Download Shops and music portals like iTunes, Amazon, Spotify, Google, Beatport, Djshop, Youtube and many more. The company’s brand information communication (Best, 2014, pp. 306,307) is “Distribute your music and e- books online. Easy, fast and competitive” (Feiyr.com, n.d.).
- III. The **Fed Ex** distribution system, which is a direct one with worldwide reach.

CONCLUSIONS

From digital pricing to digital marketing and digital distribution of goods, companies nowadays strive to enhance their inventory with digital weapons. Our era is more than obvious that is a “digital” one. New ways of marketing, sales and distribution have arisen, so companies of today in order to be antagonistic enough in a complicate, global and changing environment, need to adopt to certain technological disruptive products - platforms.

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