



Global Marketing

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Global Marketing and the Digital Revolution Chapter 15



MARKETS
PARTNERSHIP

Joint MARKETS
PARTNERSHIP

Learning Objectives

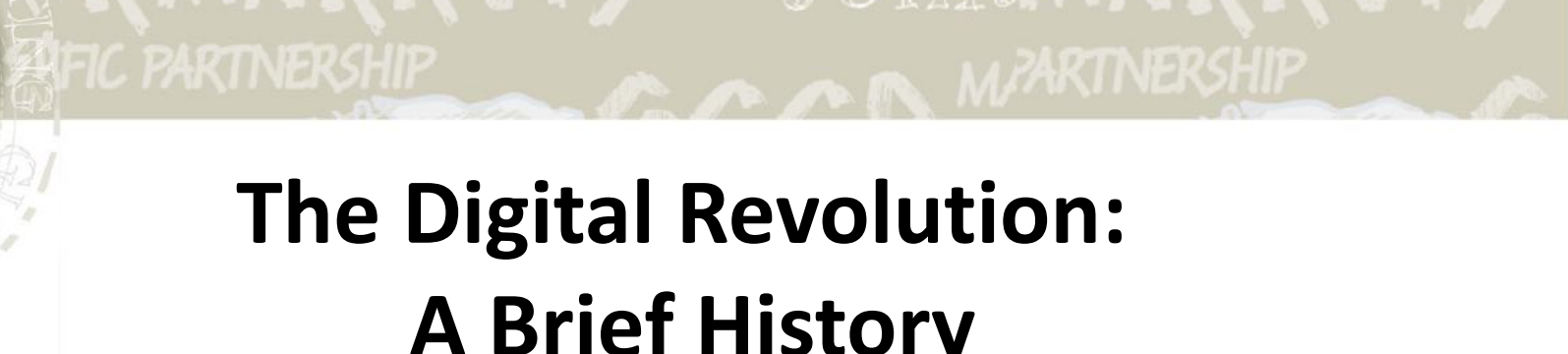
- Innovations that led to the digital revolution
- Value networks and the sustaining and disruptive nature technologies
- E-commerce and Web site categories
- New products and services of the past decade





The Digital Revolution: A Brief History

- 1937 to 1942: World's first electronic digital computer was developed at Iowa State University
- 1947: The transistor was invented
- 1950s: Invention of the silicon chip (integrated circuit)
- 1970s: The decade for companies like Atari, Commodore, and Apple



The Digital Revolution: A Brief History

- 1981: IBM introduced its first Personal Computer (PC); Bill Gates developed MS-DOS for IBM
- 1982: The 286 microprocessor was unveiled
- 1984: Apple introduced the Macintosh
- 1993: The creation of the Pentium processor



The Digital Revolution: Additional Milestones

- 1969: The Internet can trace its origins (Defense Advanced Research Projects Agency)
- 1972: E-mail was sent for the first time
- 1973: The creation of a cross-network protocol; the true birth of a network of networks or the Internet
- 1993: Tim Berners-Lee invented URL, HTML, and http;
The Father of the World Wide Web
- Mid-1990s: First commercial browser, **Netscape**, was created
- Web users: 1993 - 600,000, 1998- 40 million; today 3 billion
- Search engines Google and Yahoo! Bing have improved security features
- Google: You Tube, Google Glass, Android Op Sys



Industry Convergence

“The 2000s were the broadband decade, the disintermediation decade, the file-sharing decade, the digital recording (and image) decade, the iPod decade, the long-tail decade, the blog decade, the user-generated decade, the on-demand decade, the all-access decade. Inaugurating the new millennium, the Internet swallowed culture whole and delivered it back—cheaper, faster, and smaller—to everyone who can get online.”

Jon Pareles, New York Times columnist

Industry Convergence

1990

Telephones

Consumer
Electronics

Computers

Photography

Convergence: The coming together of previously separate industries and product categories.

2010

Telephones

Consumer
Electronics

Computers

Photography



THE
GLOBAL
WORLD
PARTNERSHIP

PACIFIC PARTNERSHIP

AFRICA PARTNERSHIP

Value Networks and Disruptive Technologies

- Innovator's Dilemma
- Value network
- Sustaining Technologies
- Disruptive Technologies



Binary Code



THE GLOBAL

PARTNERSHIP

PARTNERSHIP

Innovator's Dilemma

- Staying committed to a current, profitable technology
- Failing to provide adequate levels of investment to new and possibly risky technologies
- Company is responding to the needs of established customers





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Value Network

- Found in every industry
- Cost structure that dictates the margins needed to achieve profitability
- Boundaries are defined by the unique rank ordering of the importance of various product attributes
- Each network has its own metrics of value



Sustaining Technologies

- Incremental or radical innovations that improve product performance
- Most new technologies developed by established companies are sustaining in nature
- The vast majority of innovations are sustaining in nature



Disruptive Technologies

- Redefine performance
- New entrants to an industry
- Enable something to be done that was previously deemed impossible
- Enable new markets to emerge





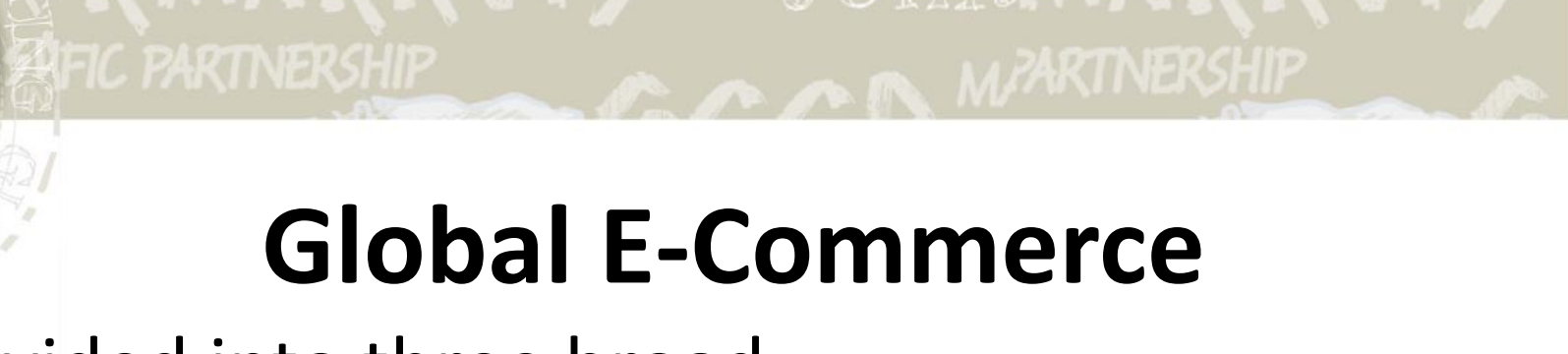
Five Principles of Disruptive Innovations

1. Companies are dependent on customers and many innovations are customer-driven. By listening to those long-established customers, opportunities may be missed.
2. Small markets don't solve the growth needs of large companies.
3. Markets that don't exist can't be analyzed.
4. An organization's capabilities define its disabilities.
5. Technology supply may not equal market demand.



Global E-Commerce

- Every 48 hours, Yahoo records more than 24 terabytes of data about its users' online habits— equal to all the information contained in all the books in the Library of Congress
- Between 2003 and 2010, the number of Internet users in China increased from 68 million to 450 million; in Shanghai, Beijing and Guangzhou, one-third of all residents use the Internet
- 37% of European adults—136 million people—shopped online in 2008. Online retail and travel sales will have a CAGR of 8% between 2008 and 2014



Global E-Commerce

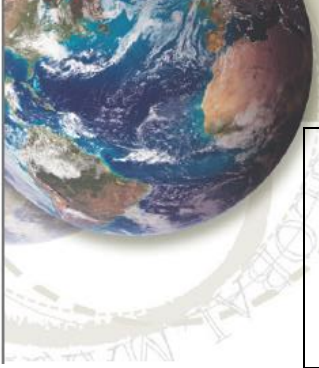
- Divided into three broad categories
 - Business to Business (B2B) largest share of the Internet economy
 - Business to Consumer (B2C) iTunes
 - Consumer to Consumer (Peer to peer) eBay





Web Sites

- Promotion sites: marketing communications
- Content sites: news and entertainment; support PR
- Transaction sites: online retail operations
- Web sites can function as all three



Internet as a Communications Tool

“Content for broadband costs significantly less than TV...and distributes to a much larger audience.”

Ad Agency Executive

Unilever digitized TV commercials stored as product videos, and created Web series for Yahoo! Food built around Hellman's Mayonnaise.





Internet Retail Sales

- U.S online retails sales \$200 billion in 2011; \$327 billion by 2016 or 10% of all retail sales
- Companies like A&F, Saks, Timberland, Coach trying to attract foreign buyers
 - Weak U.S. dollar means savings for euro users
 - Some sites adding international shipping
 - Some retailers to open distribution centers abroad to hold down shipping costs



Luxury Retailers and the Internet

- Many do not sell online but use the Internet to inform and promote
- Concern that the brand essence cannot be communicated online but changing
- Smartphone and iPad apps and Facebook communities aim to “create a dialog and get consumers connecting with our brand”.



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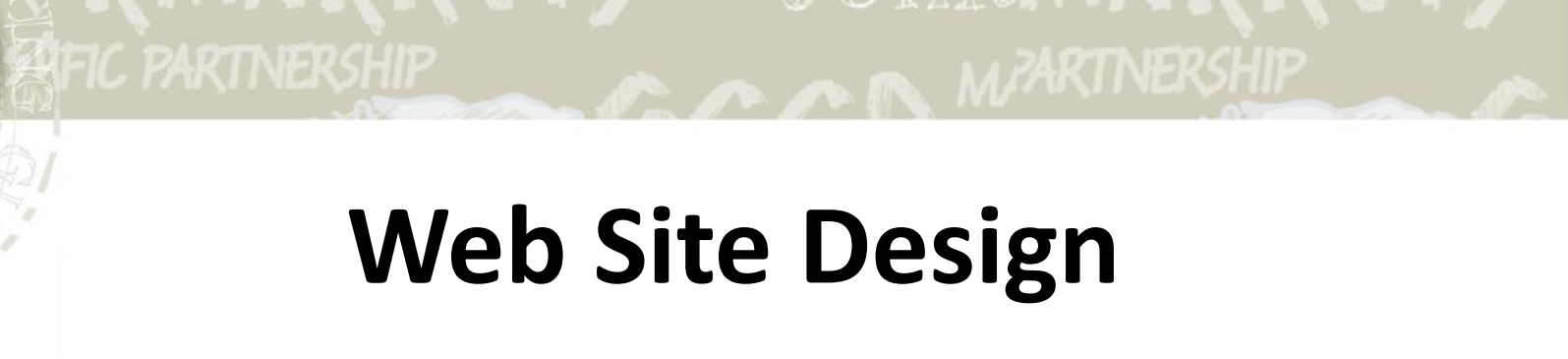
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The Long Tail

- Use of efficient economics of online retail to aggregate slow-selling products
- eBay, Amazon.com., Netflix, iTunes

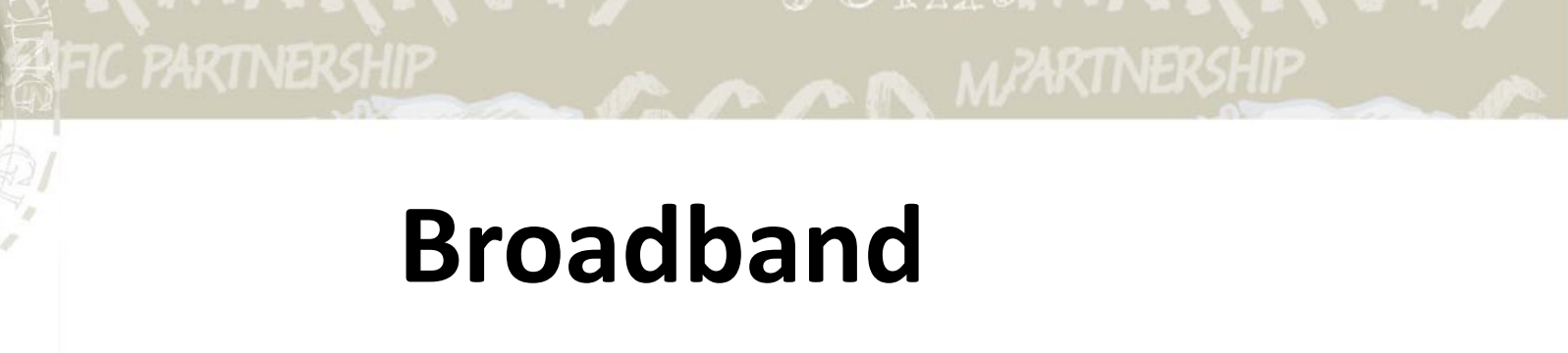
“...The Long Tail is really about the economics of abundance...what happens when the bottlenecks that stand between supply and demand in our culture start to disappear and everything becomes available to everyone.....These millions of fringe sales are an efficient, cost-effective business...hits and niches are on equal footing.”

Chris Anderson, Author and Editor of Wired



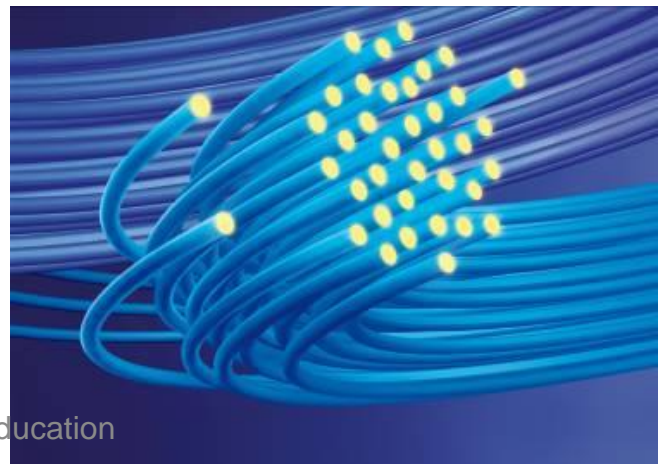
Web Site Design

- Internet potential requires using interactive media
- Key issues
 1. Choosing domain names—Cybersquatting
 2. Arranging payment—credit card usage rate, fraud, postal money order or bank check
 3. Localizing sites—reflect local culture, language, aesthetics
 4. Addressing privacy issues—EU laws more stringent
 5. Setting up distribution—local sales tax issues



Broadband

- Has sufficient capacity to carry multiple voice, data, or video channels simultaneously
- Bandwidth determines the range of frequencies that can pass over a transmission channel
- Streaming audio and video; 10 million players on Xbox live worldwide



New Products and Services

- Cloud Software will not be installed on a computer hard drive but through a web browser
- Smartphone sales in 2012 of 1.75 billion handsets
- SMS texting to move to other channels like TV, the Internet, e-mail.
- Apple and Android systems
- Apps—iTunes store has over 50 billion downloads





Mobile Advertising and Mobile Commerce



- Term for conducting commercial transactions using cell phones
- Wi-Fi
- Cellular data plans via 3G, 4G networks
- Tablets like iPad, Galaxy
- Mobile ad spending: \$1 billion in 2007; \$20 billion in 2013
- GPS on phones led to location-based advertising
- Telematics: Cars can exchange info about location or mechanical performance



Mobile Commerce

- Bluetooth—uses less power than Wi-Fi, works well with cell phones and covers shorter distances than Wi-Fi
- Handles data, not voice





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Mobile Music and Gaming

- iTunes downloads in 2006 reached 1 billion; cumulative total of 25 billion downloads
- Cloud-based music systems offer a locker for storing music that is accessed by a variety of mobile devices
- Mobile Gaming revenues of \$17.6 billion in 2015; 240 million users a month



Internet Phone Service

- The “next big thing” for the telecommunications industry
- VoIP—Voice over Internet Protocol
- Has the potential to render the current telecommunications infrastructure obsolete
- Currently only accounts for a small percentage of total global calling
- Skype acquired by Microsoft for \$8.6 billion in 2011



Digital Books and Electronic Reading Devices



- Amazon's Kindle, Sony's Reader Digital Book, Apple's iPad
- Textbooks are a huge market opportunity for publishers
- Piracy is a concern for many authors



Looking Ahead to Chapter 16

- Strategic Elements of Competitive Advantage