

# Chapter 1

## Marketing Meets Social Media: Classification and Evolution of Internet Marketing

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### ABSTRACT

*In Internet marketing, organizations leverage the Internet and related technologies to promote themselves, their products, their services, and their brands. In virtually all sectors, recent advances in Web technologies have dramatically changed the nature and volume of Internet marketing. Competition in online advertising is currently very intense as organizations have shifted their focus from print and other traditional advertising media to emails, search engines, and social media outlets for most of their promotional activities. However, due to the growing convergence of digital technologies, distinguishing one form of online marketing from another is becoming increasingly difficult. The current practice shows that there is a significant overlap of technologies as well as activities in most of the online marketing and advertising outlets. This chapter attempts to provide a classification of the major forms of Internet marketing (or online advertising) available, and discuss the key technological trends, practices, and academic research in each area. In particular, the chapter highlights the changing trends in Internet marketing due to recent developments in Web 2.0 and social media technologies.*

### INTRODUCTION

The Internet has undeniably become one of the most cost effective and efficient communication channels between firms and their customers. The Internet has grown at a meteoric pace over

the past two decades. By the end of 2012, the number of websites globally has increased to 634 million (Pingdom, 2013). In addition, there were about 2.4 billion Internet users globally, with a growth rate roughly at 566% between 2000 and 2012 (Internet World Stats, 2013). This growth

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in Internet usage has positively and significantly impacted the growth of global e-commerce, particularly in the retailing industry. According to the Internet Retailer (2013), the growth rate of online sales in 2012 for the top 500 e-retailers in the U.S. outpaced that of overall e-commerce sales in the U.S., with a 17.5% increase versus a 15.8% increase, respectively. In particular, the social media landscape has tremendously changed the operations of businesses and enabled them to seamlessly connect and manage their operations, suppliers, and customers. New and emerging Web technologies continue to be part of the roadmap to market leadership and superior performance in many industries. Firms understand that in order to survive in the ever-changing, multi-channel selling environment, they must make the fullest use of Internet-based technologies. While the Web has brought fierce global competition to many industries, it has also offered firms more efficient and faster ways in which they can communicate internally and externally with their business partners, suppliers, and most importantly, their customers. Recent years have also witnessed tremendous growth in online-marketing activities, with an increasing number of firms attempting to develop new methods to more effectively market their products and services online. Scholars in a variety of disciplines have studied and shown the tremendous benefits of using the Internet as a marketing tool (Berthon, Pitt, & Watson, 1996; Blattberg & Deighton, 1991; Kiang, Raghu, & Shang, 2000).

Organizations carry out marketing activities through three types of channels: distribution, transaction, and communication channels. The distribution channel facilitates the physical exchange of goods and services; the transaction channel generates sales between buyers and sellers; while the communication channel enables efficient communication between business parties. The Internet has the capacity to facilitate activities in all three channels in a very cost effective manner. Through these channels, the Internet can offer many po-

tential advantages such as shortening the supply chain, eliminating excess inventories, increasing organizational visibility to a large customer base, improving cross-selling opportunities, enhancing interaction with customers, and gathering of large-scale information on customers.

With an increasing number of companies using the Internet as a marketing tool, a new form of marketing known as Internet marketing or digital marketing has been used to describe new ways in which consumers and organizations can interact as well as how to integrate the Internet with other marketing tools (Parsons, Zeisser, & Waitman, 1998). Internet marketing has been shown to have many potential benefits to organizations in all sectors. Many of these benefits are primarily related to improving how an organization interacts with its customers. This can be categorized into three broad areas: the information delivery opportunity, the relationship building opportunity, and the distribution opportunity. The information delivery opportunity is closely aligned with the communication channel, but primarily related to one-way communications such as creating interactive product catalogs on a website and sending out email messages and online flyers. The relationship building opportunity can be enhanced through the transaction channel (e.g., implementation of online customer relationship management programs), and the distribution opportunity includes supply chain related activities, and is primarily aligned with the distribution channel. Distribution channels, avenues through which organizations distribute and deliver their products, can be broadly divided into two categories: direct and indirect channels. Direct channels involve an organization, such as a retailer, selling its product or services directly to the end user without the use of intermediaries, while with indirect channels, an organization uses intermediaries such as distributors and wholesalers to help move the product closer to the consumer. As many retailers have realized over the years, the Internet shares characteristics from both distribution categories (see Figure 1). It can, therefore,

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