

**THE DIGITAL TRANSFORMATION OF MARKETING: IMPACT
ON MARKETING PRACTICE & MARKETS**

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ABSTRACT

Digital technology technologies and business practices are expected to radically transform the Competitive landscape and society. Central to changing business practices is how digital technologies are transforming the practice of marketing which in turn is transforming the nature of markets globally. This paper, guided by the literature concerning the wave of digital disruption brought about by new technology, changes in consumer demand and new forms of business competition discusses industry level and macroeconomic impact of the digital transformation of marketing. The drivers of the digital transformation in marketing, the critical role of understanding the consumer value chain relative to marketing practice and the impact of changing business practices on the larger economy. A new model developed by (Teixeira, 2019) to assess consumer demand is described as a marketing practice innovation that can be used to gain new insights for innovation and marketing. These innovations in gaining market insights and in marketing strategies are discussed regarding implications for industry and macroeconomic policy. The authors call for calls for further research using this methodology to better understand how digital disruption is likely to impact firm competitiveness and the nature of larger global economy. The digital transformation of business is having a profound effect on marketing practices with far reaching impact on both micro and macro-economic levels. At the microeconomic level the digital transformation of marketing affects all aspects of the domain of marketing including product/service configuration; pricing; distribution and promotion activities. It involves nothing less than a complete reinvention of how firms innovate and create value in their “Go-to-market” strategies. At the macroeconomic level the digital transformation in marketing and the resultant marketing strategies impact national competitiveness, labor markets, innovation, antitrust, taxation among other factors. The exchange that can happen on social media, and even directly on ads, changes everything. With live ads, like live streams, consumers can be on social media and watch an influencer discuss a product.

Keywords: - ; Digital Disruption, Digital Marketing, Trends in consumer behavior, Macro economics.

INTRODUCTION

Peter Drucker famously stated, that, “There is only one valid definition of business purpose: to create a customer... and Because the purpose of business is to create a customer, the business enterprise has two— and only two basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.” (Drucker and Maciariello, 2008, p. 30). An innovation has been defined as fresh idea that creates customer value, a fresh idea, that is widely accepted by the

marketplace (Vaitheeswaran, Vijay, 2007). Economists generally believe that innovation is a primary driver for economic growth. Innovation can come from new ideas or technologies that leads to new products and/or business processes. While often studied separately marketing and innovation are a key factor for both business and policy makers in driving economic growth. Researchers have reported (Teixeira, 2019) that new ways to study consumer buying processes given the digital revolution are critically important to achieving innovation success. At the heart of any business strategy is a plan to create, deliver and capture customer value. Marketing role within this process is to create customer value through the assessment of target customer needs, configuration of product/service offerings that are motivating to target customers, delivering those product/ service offerings using distribution and promotional channels and finding a way to capture customer value through innovative pricing strategies. An example, of an innovative pricing strategy was Bill Gates decision to license PC Operating System SW to individual users rather than to charge the computer manufacturer (IBM) a set price for its development and inclusion in its PC offering. (The Digital Marketing Institute, 2019) reports, “When it comes to marketing, going digital has had massive consequences. Now properties of digital media such as more accurate metrics, combined with interactivity, have created whole new marketing opportunities. The exchange that can happen on social media, and even directly on ads, changes everything. With live ads, like live streams, consumers can be on social media and watch an influencer discuss a product. Now, instead of just watching a social influencer, viewers can interact by making comments, giving suggestions, and even getting responses back during that live stream. There is a level of engagement and interaction in 2019 that simply wasn’t possible before digital transformation, and it changes the scope and nature of how marketers can approach their targets.” Increasingly a key component to both innovation and marketing is the digital transformation of our economy. The digital transformation of business is having a profound effect on marketing practices with far reaching impact on both micro and macro-economic levels. At the microeconomic level the digital transformation of marketing affects all aspects of the domain of marketing including product/service configuration; pricing; distribution and promotion activities. It involves nothing less than a complete reinvention of how firms innovate and create value in their “Go-to-market” strategies. At the macroeconomic level the digital transformation in marketing and the resultant marketing strategies impact national competitiveness, labor markets, innovation, antitrust, taxation among other factors. The objective of this paper is to review the literature on trends in the digital economy, marketing and marketing practices and discuss the effects of a transformed practice of marketing on the competitive landscape.

OBJECTIVES

The main objective of this paper is to identify the effectiveness of digital marketing in the competitive market. The supportive objectives are following:

1. To show the various elements of digital marketing
2. To focus on the basic comparison between traditional and digital marketing.
3. To discuss the effects of various forms of digital marketing on the firm's sales and other activities.

Methodology

The exploratory research is designed to allow an investigator to basically look around with respect to some phenomenon, with the aim to develop suggestive ideas. The secondary data & information have been collected from different scholars and researchers, published e-books, articles published in different journals, periodicals, conference papers.

SCOPE OF THE DIGITAL ECONOMY

That same reports notes that in 1992 internet data flows were about 100 Gigabytes per day, where it is forecasted these flows will be about 150,700 Gigabytes per second in 2022. Much of the growth of the digital economy is being fueled by new technologies such blockchain, artificial intelligence (AI) and data analytics, 3D printing, internet of things (IoT), 5G mobile, cloud computing, automation & robotics, among others. The value of global e-commerce has been estimated to be approximately 36% of global GDP in 2017, which is a 13% increase over the prior year (UNCTAD, 2017). The rapid growth globally of smart mobile phones and interconnectivity is also accelerating the growth and impact of the digital economy. (Rifkin, 2015) notes that in 2007 there 10 million sensors connected to the web, by 2013 that number had grown to 3.5 billion and it is estimated by 2030 the number of web enabled sensors will exceed 100 trillion. However, growth in investment into the digital economy is heavily concentrated in the USA and China which together comprise over 90% of the market valuation of the top 70 platform companies globally. The EU is third with about a 4% share of these top companies.

(Straub, 2019) notes that, "According to a 2019 World Economic Forum report, excitement over digitally enabled ecosystems is on the rise. While most of the focus has been on macroeconomic implications (for example, McKinsey research speculates that by 2025 over 30% of global economic activity could be mediated by digital platforms)." Additionally, he reports a McKinsey study that sees traditional industry clusters and value chain collapsing into a much smaller set of trillion dollar platform ecosystems that will impact all levels of the global economy.

Over time economic value has migrated away from physical products towards services as measured by sector impact on GDP. This is particularly true for more the developed economies, services' value added accounted for 74 percent of GDP in high-income countries in 2015, up from 69 percent in 1997. The growth rate of the service sector was even higher in less developed countries raising to 57 percent from 47 percent in that same time period. In the USA approximately 79 percent of economic value measured by GDP was linked to the service sector in 2017. Within the services sector, the digital economy has grown an even faster rate. Additionally, some experts suggest the size of the digital economy may be significantly underestimated using standard economic measures.

INNOVATION AND DRIVERS OF CHANGE IN MARKETING

This new wave of digital disruption has been described as the third wave of digital disruption to impact our economy and many believe the effects will be much more significant than what industry has experienced to-date (Teixeira 2019). (Moeller et al., 2018) argue that, “Although many practices, products, and services have evolved...few enterprises have had their core businesses disrupted. But this is about to change.” The coming wave of digital disruption brought about by this third wave is expected to have a much more fundamental impact because of the degree of interconnectivity it will bring among new technologies. The third wave of disruption is happening today and is transforming firms marketing and go-to-market strategies with wide range of economic effects. (Kagermann, 2015) states that, “Digitization—the continuing convergence of the real and the virtual worlds will be the main driver of innovation and change in all sectors of our economy.

WAVES OF DIGITAL DISRUPTION

In looking at common threads across these waves of change, there are three key factors or drivers of change that have emerged. First, is the influence of new technology for communication, transportation & industry infrastructure stemming from the digitalization of business processes. (Deloitte, 2017) in its Global Powers of Retailing report also found these factors as the key drivers of change in global marketing & retailing. These new technologies have been characterized by increasing productivity of production and distribution and increased interconnections between technologies leading to lower costs and increased consumer convenience. The second driver of innovation has been the development of new forms of competition that have evolved to offer consumers better value. These new forms of retail enterprises include a growing myriad of online options with a growing role of Omni-channel distribution. For example, (Rigby, 2011) describes Omni-channel in the December issue of the Harvard Business Review, entitled, “The Future of Shopping,” which described Omni-channel distribution as a system where, “retailers will be able to interact with customers through countless channels, such as websites, physical stores, kiosks, direct mail, catalogs, call centers, social media, mobile devices, gaming consoles, televisions, networked appliances, home services, and more.” Omni-channel relies on an integration on new technologies deployed in a manner to give consumer’s 24/7 access to products, information and communication. Online shopping which is currently about 10% of retail has been estimated to be about 40% by 2027, (World Economic Forum, 2017). Therefore, business capability is tightly linked to technological capabilities and the development of business models that have a new customer centric focus as opposed to a product centric focus. The third driver is manifested by changing consumer preferences. Consumer demand is conditioned by new technology, new competitive forms along with societal changes is evolving at a rapid pace. Here changing demographics and consumer values are key drivers of changing consumer preferences. Arguably, changes in consumer demand are the most important of these drivers of disruption. Teixeira (2019) notes that it’s not new technology or startups that causes market disruption, but that the real cause of disruption is changes in consumer demand. Technological inventions or new business models must be accepted by the market to become successful innovations. Thus, key

to successful innovation is understanding the nature of demand and the preferences of consumers. The (World Economic Forum, 2017) conducted research on the future of retailing and concluded: “Consumers will be central to shaping the future direction of the industry. As their expectations around cost, choice, convenience, control and experience continue to climb, they will challenge the industry to keep up. For example, as AI is increasingly deployed to enhance the customer service experience such as AI assisted smart-speakers (Amazon Alexa and Google Home) or automated AI assisted customer service centers- it will be customer adoption of these technologies that will make or break the market success of each. At the same time, new and disruptive technologies will fundamentally impact the end-to-end industry value chain, benefitting both the industry and consumers.” The confluence of technology evolution leading to developments of AI/Data analytics, blockchain, three-dimensional printing (3D printing), the Internet of things (IoT), mobile technology, automation and robotics is fundamentally changing marketing practices regarding value creation, value delivery and value capture leading to the development of new business models and changes in consumer and broader macro-economic impact. Examples of how these technologies are having an impact in marketing practices include: co-creation of value between consumers and producers, the dematerialization of value in many products (the value-added component of digital content in cars, phones, etc.), omnichannel distribution and promotion strategies in delivering customer value and new value capture strategies that capture value by monetizing data and information obtained from social media, shopping behavior, etc.

INNOVATION IN MARKETING: ANALYZING CONSUMER DEMAND

For new innovations in products, processes and business practices there must be consumer acceptance. The behavior of consumers and industrial buyers is critical for the success of an innovation. This necessitates a deep understanding of how buyers initiate, search, evaluate, select and experience market offerings and methods of marketing. One key innovation in marketing practice is how analysis is used to study the nature of demand. (Ungerma et al., 2018) define “marketing innovation as doing something fundamentally new with ideas, products, services, or technologies based on market-based ideas that stem from a variety of customer desires.” Thus, key to successful innovation leading to firm success and economic growth is an understanding of the nature of changing consumer demands. (Court et al., 2009) introduced a new conceptual model to study consumer decision making. They labeled this new model, “The consumer decision journey (CDJ).” Their conceptualization was in response to a growing recognition that previous models increasingly failed to capture what they described as, “all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, wellinformed consumer.” See Exhibit Four: The Consumer Decision Journey. In the decade since it was introduced this model has been widely accepted both in academia and in industry. (Hamilton & Price, 2019); (Lemon & Verhoef, 2016). (Finneman & Elzinga, 2017) report that Mckinsey has developed a database of over 125,000 consumer decision journeys’ for over 350 products in over 30 different industries. They found the CDC model reflects a more complex reality of shifting choices, decision criteria, digital touchpoints important to consumers and key triggers. Its critical for brands to be in a consumers’ initial consideration set, provide digital touchpoints and information at the right moments and provide trust/quality experience with a product or service.

Innovation in marketing also plays an increasingly important role in value creation in the economy. Value has migrated from physical assets to intangible assets among many corporate enterprises today. Marketing assets such as brand are growing as a percentage of company market value, reflecting the role that marketing has in a world that is becoming more customer centric as opposed to product centric. Indeed, when looking at the personal wealth of the world's most successful business-people such as Bill Gates and Jeff Bezos it appears the source of their success lies not in technical innovation but innovation in marketing. (Ungerma et al., 2018) studied the impact of marketing innovation and report that, "Business considers the greatest impact of innovative marketing in the context of Industry 4.0 to be the increase in enterprise competitiveness." Key to marketing innovation is an understanding of how customers perceived value and how products and services are adopted into their lives. These perceptions of value and lifestyle represent a moving target for marketers, and we need better processes to understand the needs of the market.

MACRO ECONOMIC EFFECTS OF INNOVATIONS IN MARKETING

The digital transformation of marketing not only effects the practices of individual companies and industries it has profound effects on the global macro-economic environment as well. The digital marketing strategies of using platform networks to reach target markets, reconfiguring value creating components of the product/service offering and innovative pricing has changed market dynamic not only within individual industries but across global markets as well. These macroeconomic effects have been widely discussed in the literature and will be summarized in this section (UNCTAD, 2019). Potential impacts include; the number and type of jobs available, distribution of income and wealth leading to greater income inequality, increased concentration within industries across a wide range of markets leading to potential monopoly effects, slower economic growth from income redistribution and types of investments due to digital economy, impact on taxation and government revenues.

In the previous section examples of the digital transformation of marketing were described in the context of basic marketing activities of value creation, value delivery and value capture as well as on competition with industries. But larger macro-economic effects exist that have far reaching implications for public policy. For example, in the previous section there were several examples of how retailers are adapting marketing practices given new digital technologies and business models. In America retailers are estimated to account for nearly 25% of employment and retailing accounts for nearly 31% of global GDP. Digital technologies are having a major impact today and will have a greater impact going forward on the level of employment and skills necessary in retailing. Today automation and robotics are routinely used in warehouses to enhance performance and reduce labor costs; increasingly stores around the world are reducing labor content in store as well, through automated checkouts, customer service, replenishment, etc. Back office operations in purchasing, marketing analytics and sales are also being automated or using extensive AI assist which lowers labor deployed in these operations. New retail forms like Amazon Go and others utilize far fewer workers in a store than is traditionally used. Indeed, Amazon currently uses far fewer people to generate sales revenue than traditional retail operations. In addition to the number of workers the

adaptation of digital marketing will change the skills needed to perform effectively. Currently this is a problem and even more so among less developed countries.

Source

Secondary sources: Secondary source is a source from where we collect data that has already been collected by someone. We have collected secondary data from the published papers, internet and articles.

Limitations

The limitations as connected with the published papers, magazines and journals, while directing the research is that a delinquent was come across though gathering the material and info. it was not possible to access all of the journals due to a limited period of time.

CONCLUSION

This paper reviews the literature on digital disruption, marketing and innovation and has identified that buyer behavior is the most critical factor driving the evolution of economic demand today and into the future. Innovations in marketing practice are changing how firms assess demand and deploy new marketing strategies that have far reaching effects on competitiveness, consumer welfare and public policy decision-making. For marketing, digital disruption has had game changing impacts. Today, the nature of digital media such as more accurate metrics, combined with interactivity, have created whole new marketing opportunities. A critical challenge for marketers, technology providers and investors as well as government policy makers is how to predict the evolving preferences and desires of consumers. The stakes are big. The landscape is littered with companies that failed to adapt to changing conditions brought about by new technology, business models and changing in demand. The rapid transformation of marketing with digital tools, product and strategies will hasten the adoption of digitization globally with impacts on labor markets, consumer welfare, and the competitiveness of both companies and nations. The digitization transformation of marketing is expected to create uneven benefits and costs for consumers, businesses and nations. Traditional marketing methods used to understand consumer behavior have proven to be less useful in a world transformed by digital markets. Consumer shopping and purchase behavior is rapidly evolving with increased preferences for shared consumption over ownership, use of mobile technology, consumer co-creation of value, online shopping and an increased preference for experiences over material things among the many changes in preferences. This has led to the development of new models such as the Consumer

Decision Journal and Consumer Value Chain models to better assess the nature of consumer demand. Moeller et al. (2018) state, “The constraint for your company will not be the technology. It will be your ability to bring the three drivers to bear: to lower costs, engage customers, and make better use of assets. If you can employ digital technology to do that effectively, you will be among the winners of the age of digital disruption.” This research also calls for the development of new ways to understand consumer preferences and the evolution of those preferences. Initiatives such as MITs “Open Voice Network,” which seeks to better understand technology, policy and consumer preferences for the use of voice technology (i.e. Alexa; Google Home) and engages both universities and industry should be encouraged. Organizations and policy makers need to address how the digital transformation of marketing will affect economic competitiveness and consumer welfare. Both companies and public policy makers need to “follow the consumer” to gain insights on how to best adapt business strategies and governmental policies to best operate in this new digital economy.

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