Editorial

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In writing this Editorial for an expanded double issue of the *Journal of Targeting*, it's encouraging to see the range and quality of submissions that we are receiving, from both home and abroad. It's also fascinating to see the way in which the elements of the Journal's proposition (targeting, segmentation, measurement and marketing analysis) are continuing to evolve. In my Editorials this year, I have sought to highlight developments in particular areas. We've explored the prospects for dynamic as against static, segmentation and we've considered the growing sophistication apparent from our ability to analyse changes in the spatial distribution of demand, as revealed through developments in geodemographics. For this issue, I want to explore selected aspects of the ways in which targeting itself is changing and will change as we continue to employ new technologies in more imaginative ways to reach individual consumers. But my theme is that it is sometimes we see the triumph of rhetoric over reality.

What is the digital target marketing toolkit that is available to organizations? I tend to distinguish between first- and second-generation techniques. The former category includes tools where we can already see some degree of commercial experience and sophistication and where we are getting a sense of how such tools may be appropriately used in a marketing context. These include email, search and affiliate marketing, various forms of online advertising. Second-generation tools, while in use, are to a greater extent unproven and in flux. They include online gaming, social media and virtual worlds. It's important to note that not all second-generation tools have social connotations, however. We also need to be careful in conflating digital marketing tools and digital marketing channels – and for this reason, for example, 'mobile marketing' is not so much a tool in its own right, but a channel through which (for example) email, display advertising and search strategies can be executed.

But incorporating digital tools and techniques into the development and execution of an overall marketing strategy can be complex. How do organizations see the link between digital marketing tools, their marketing objectives and consumer behaviour? Figure 1 provides us with a reminder of those objectives.

Brand building helps customers to become aware of new products and services and keeps that awareness in customers' minds. Consideration makes sure that – at the information search and price comparison stage – both rational and emotional features of a firm's products and services are effectively communicated to customers. Direct response ensures that the mechanisms are in place that will allow customers to make purchases. And customer retention means moving beyond simply satisfying consumers to ensuring that the organization's behaviour will increase the likelihood that customers will re-purchase and that loyalty will be subsequently generated. For a diverse range of consumer-facing businesses, the expectation is that the major areas of customer take-up of digital technologies will be not so much in relation to direct selling (although this is of course important), as in relation to pre-purchase activities, such as becoming aware of new products, information search and price comparison, as well as in post-purchase customer service. Nor is this simply a consumer marketing phenomenon: manufacturing firms surveyed expect a majority of customers to be using digital techniques to become aware of new products as well as searching for information, even if the majority then use more conventional techniques for price comparison and purchasing (such as face-to-face negotiation with sales teams). These perceptions will naturally determine how firms allocate their marketing budgets in future and will have a particular impact on tools related to marketing communications.

Figure 1: The consumer buying process and marketing objectives.
Source: Author.

Early surveys of US marketers resulted in five specific conclusions:

- brand sponsorship and online advertising were thought to be best for attaining brand building objectives;
- search marketing appeared to be most popular at the two pre-purchase stages – (including information search and price comparison);
- referral via affiliates worked best against consideration and direct response objectives;
- email marketing was strongly associated with both direct response and customer retention, while podcasts also seem to be particularly popular in relation to the objective of retention. But finally,
- so-called emerging vehicles, or second-generation techniques (which include blogs, virtual worlds, widgets and wikis) generated the highest number of ‘don’t knows’ among respondents.

Yet we can already see disillusionment with the effectiveness of some first-generation tools in precision targeting. For example, the growth of spam has served to erode some of the early advantages of email as a marketing medium and converted them into distinct disadvantages. These include:

- Information overload (The sheer number of emails now in circulation makes it increasingly difficult for a legitimate marketing message to stand out among the 200 billion emails sent daily to 1.6 billion inboxes worldwide, two-thirds of which or more are unsolicited.)
- Deliverability (Email is increasingly filtered by recipients and intermediaries. Seventy-one per cent of US Internet users employ spam filters. Business users reported a decline in their receipt of unsolicited messages thanks to more effective corporate filters as well as greater sensitivity

among Internet Service Providers to customer complaints. A consequence of this is the incidence of so-called ‘false positives’ – emails mistakenly classified as spam by filters – where ISPs err on the side of caution.)

- Impact on brand reputation (The implications of potentially unwelcome, irrelevant or unsolicited email on consumer attitudes towards an organization: according to the Pew Internet & the American Life project, 55 per cent of US Internet users said that spam email had made them less trusting of email in general, and only 4 per cent claimed to have ordered a product or service that was offered in an unsolicited email, although nearly a quarter had clicked on a link.) and
- Legal considerations (Many jurisdictions have introduced legislation regulating unsolicited email, such as the CAN-spam Act of 2003 in the United States and national marketing associations frequently issue guidelines on appropriate email use by firms.)

The combination of these factors means that the effectiveness of email marketing has been eroded in recent years. Further, what evidence is beginning to emerge in relation to consumer attitudes to more intrusive targeting is that it can be actively resisted by users. In a recent survey of US Internet users, more than 50 per cent reported that a pop-up ad affected their opinion of the advertiser very negatively, and nearly 40 per cent reported that it affected their opinion of the website very negatively.

Further, and despite the rhetoric, the number of firms using digital marketing tools in practice is significantly lower than the number of firms saying it is important to them. We should not be surprised by this: market research surveys tend to reveal a more optimistic view among respondents of their interests and intentions than actually

make it through to practice. Not least, this is because:

The data flows are very complex and marketers are struggling to figure out how to manage them. Multiple streams of data, from advertising servers, search engines, websites, and offline activity, rarely measured in the same way, are bombarding marketing organizations.¹

But there are a number of other barriers that work to prevent users' aspirations being borne out in practice. Here are three:

- the lack of measurement mechanisms. Firms are often unwilling to adopt marketing techniques without a corresponding mechanism for measuring their effectiveness;
- the lack of internal capabilities. Although firms may be interested in principle in adopting a wide range of digital marketing techniques, the relative lack of skills and capabilities within the organization may slow down or prevent such adoption; and
- problems convincing management. Fast-moving developments in digital marketing means that, while there may be relatively well-informed individuals aware of such techniques within marketing departments, they have difficulty convincing less aware and more risk-averse senior managers of the appropriateness of such techniques for particular firms.

A final, significant, barrier to adoption is the difficulties that organizations have in integrating conventional and digital marketing activities. Business-to-business marketers particularly struggle to integrate online and traditional marketing tactics, partly because even conventional marketing activities are often not as well embedded in firms that rely upon their sales forces and key account management to build brand awareness and generate leads.

And while there is no shortage of new target marketing techniques coming through the pipeline, not all of them have been received with open arms by either consumers or regulators. For example, the growth of behaviourally targeted advertising, driven by the Internet's capability for

collecting detailed information about consumers, recent came under scrutiny in the United Kingdom. In the context of a growth in online advertising from 3 per cent to 20 per cent of total revenues in the space of 5 years, the Office of Fair Trading published a report into the online targeting of advertising and prices.² Although behavioural advertising revenues represented only 3 per cent of online totals, therefore, its implications have already attracted attention:

The report finds that, although industry self-regulation addresses some concerns about behavioural advertising, more could be done to provide consumers with better information about how personal information is collected and used. It also sets out how regulation might apply to these new and emerging practices.

This is a hot topic in the United Kingdom. Self-regulation is seen as being a desirable initial route by the regulator, The United Kingdom's Crown Prosecution Service is expected to issue its decision imminently on whether or not to charge either US personalization technology firm Phorm or UK telecoms firm BT over trials of behavioural targeting technology that allegedly monitored the websites viewed by customers for use in targeted advertising campaigns, without their consent. And the European Commission is taking the UK Government itself to court for not complying with the European ePrivacy Directive, by establishing a regulator based in the country to make sure the interception of users' communication is within the boundaries of the law.

If behavioural targeting causes concerns to be raised about privacy, what price the kind of targeting potential possible through the use, for example, of augmented reality? Firms such as Layar.com³ – the world's biggest augmented reality platform – won the 'Most Disruptive Innovator' prize at consultant Deloitte's *Fast50* technology company awards in 2010. Augmented reality permits the addition of computer-generated information as an overlay to real-world views as seen through a mobile phone camera. Data based on the geographical co-ordinates of the user can be delivered to the user's camera

view and displayed on screen. Combine this with technology that is already available for face and object detection, such as the experimental systems being developed by German information systems research company Fraunhofer IIS⁴ and we can already see the possibility of capturing gender, expression (happy, sad) and age estimation from a facial image in real time that, when linked to other identifying information, could generate specifically targeted marketing interventions.

But let's not get ahead of ourselves. Realistically, digital target marketing techniques will not always replace existing ways of reaching customers, but will serve to complement conventional mechanisms. As a result, the marketing strategies that managers seek to develop must be more integrated if they are not to avoid increasing marketing's cost base without achieving a commensurate growth

in revenue. In thinking about the multi-channel future of targeting, we should remember that long-standing research suggests that in fewer than 50 per cent of cases does increased marketing expenditure generally lead to a growth in sales.⁵

REFERENCES AND NOTES

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- 3 <http://www.layar.com>.
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- 5 Abraham, M. and Lodish, L. (1990) Getting the most out of advertising and trade promotion. *Harvard Business Review* (May–June): 50–63.

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