Foreword: Marketing and Pricing in the Digital Environment

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During the last years radical changes in the global economy have dramatically affected business strategies and transformed the habits of customers and firms and the ways they interact. The nature of competition and the forms of organizing and managing corporations, as well as consumer behaviors, have all been significantly modified. Furthermore, as observed by Philip Kotler (2000), change is occurring at an accelerating rate. Globalization, technological advances, and deregulation are the three fundamental drivers of this rapid and significant evolution.

The present book, written by Giampaolo Viglia, deals with the impact that new information and communications technologies (ICTs) have on marketing strategies and tactics. The author gives special attention to the new marketing and communicative tools that can be used to interact with customers, and then on pricing issues and revenue management techniques. Writing the foreward for this book, fruit of the research work of the author within Italian and Spanish universities, is an appreciated opportunity for me to remark on some particular considerations.

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The impact of new ICT technologies

ICT developments and the widespread use of the Internet play a central role in the new economics of today. The Internet is an effective, efficient, and ubiquitous information platform that allows both firms and customers to reduce costs for information seeking (Sharma & Sheth, 2004). As a matter of fact, a substantial effect of the Internet is a strong reduction in the costs of information. In consequence of recent progress in mobile technology and of the fast proliferation of portable devices, the mobile channel has also arisen as a powerful tool for marketing activities.

The expansion of the digital environment, as noted by Teece (2010), "require[s] businesses to re-evaluate the value propositions they present to customers" and "the supply side driven logic of the industrial era has become no longer viable." In fact, as indicated by Vargo and Lusch (2004), the business orientation has shifted from tangibles toward intangibles, such as skills, information, and knowledge, and toward interactivity and connectivity as well as relationships with the co-creation of value. Moreover, the Internet has permitted the entry into the market of new players and the use of new distribution channels. In addition, the Internet offers firms an important opportunity to enlarge their market base by selling products online. More generally, it is now possible to enrich the products/markets combinations fulfilled by a company.

The role of computing advances in the economic area and their implications for business management and marketing have inspired many publications on the topic, written both by academics and by practitioners. The terms (or labels) used by the numerous authors are varied: digital marketing, e-marketing, Internet marketing, online marketing, web marketing, and so forth (Chaffey et al., 2006). Often the choice of a specific term is influenced by the focus on specific channels and devices as well as by the emphasis on tactical and technical issues (Merisavo, 2005).

Digital marketing and consumer behavior

Marketing activities belonging in distribution, transaction, and communication contexts are greatly affected by the digital revolution (Peterson et al., 1997; Kiang et al., 2000). Digital marketing is based on and takes advantage of the use of new technologies to collect, manage, elaborate,

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and provide information so as to communicate with customers and to conduct economic transactions. Also, marketing metrics for business performance control can be more insightful and efficient than in the past because of these new technologies.

The digital framework influences management and marketing at cultural, strategic, and tactical levels. More widely, the focus has moved from the producer to the consumer (taking shape as a customer-centric perspective). Electronic marketplaces support product and communication personalization/customization. Variegated customer needs can be fulfilled more easily and less expensively thanks to the lower cost provision of information and customer solutions. As a consequence, customers have more numerous and specific product and brand choices, and the competing alternatives for supply are more transparent. In addition, the birth of meta-search websites has made it easier for clients to make comparisons among many different offers. Customer behaviors have changed. The web has radically changed the manner in which people research information, communicate, make decisions, and especially the way they purchase goods and services. In particular, tourism products have become one of the most suitable product categories for sale through this digital channel (O'Connor, 2002).

Distribution issues are greatly affected by new technologies, with the affirmation of multi-channel distribution and the phenomena of disintermediation and reintermediation. Thus, the study of how consumers consider and choose online versus offline channels becomes crucial across all the successive stages of the buying process, as well as how these decisions are affected by the consumer's previous experience. In many sectors (e.g., tourism) the multi-channel sales approach makes managing pricing policies more complex. In fact, the so-called "price parity" among different distribution channels has become a key concern for managers. Consequently, conflicts among different channels may arise.

New technologies have also deeply impacted corporate communications. In order to face and manage the variety of media tools and techniques, integration has become a key concern. *Integrated marketing communications* is a comprehensive approach addressed to ensure strategic and creative integrity across all media (Linton & Morley, 1995). Furthermore, the Internet is not a means employed only by firms and organizations, but it is used more and more by individuals in order to make their personal thoughts, product evaluations, and opinions easily available to the global community of Internet users. Word-of-mouth,

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an ancient modus operandi within human society, has been further emphasized and boosted by new technologies. Online feedback mechanisms and customer reviews have a deep impact on customer purchase intentions (Mauri & Minazzi, 2013).

Pricing and revenue management

In the digital environment price has acquired a special and more important role. New technologies offer new effective managerial instruments for pricing policies but also make pricing more difficult and complex to manage. Throughout most of history, prices were set by negotiation between buyers and sellers (so-called bargaining). But now, in contrast, setting one price for all buyers is the norm, a relatively new idea developed with mass production and modern retailing. However, recently the web has been reversing the policy of fixed pricing ("one price for all"). New technological equipment has offered to online sellers an unprecedented chance to track and analyze customer behavior and to obtain valuable information about customers' preferences (the possibility of customizing products) and greater knowledge about their price sensitivity and their willingness-to-pay (Hinz et al., 2011). As a result, differential pricing, or price discrimination, has been employed. It is a powerful tool that permits sellers to improve their profits and reduces the consumer surplus held by buyers. Furthermore, price discrimination enables sellers to supply buyers that would otherwise be priced out of the market, an outcome that augments economic efficiency (Bakos, 1998). It is also simpler to monitor and deal with competitors' prices by operating dynamically (dynamic pricing). Price changes are easier, almost inexpensive, and potentially more effective with dynamic pricing. New technology has made dynamic pricing not only widely possible but also commercially feasible and more profitable (Elmaghraby & Keskinocak, 2002). Furthermore, it allows special attention to be given to the various psychological dimensions of price and their impacts on perceived value, fairness, and brand loyalty (Grewal et al., 2003).

In the last decades revenue management has emerged as a chief topic in various service industries, especially in tourism businesses. Concisely, revenue management can be delineated as a collection of coordinated techniques and business practices utilized for increasing profitability,

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both by differentiating prices and by managing capacity allocation (Mauri, 2012). Revenue management is applicable to any business that has a relatively fixed capacity of perishable inventory with differentiated demand, has a high fixed-costs structure, and involves varying customer price sensitivity. Revenue management exploits differences in purchasing behaviors by diverse market segments. Consequently, pricing and capacity allocation to various market portions are key levers. These are topics that are constantly evolving with the development of the Internet and of the continuing progress of the information and communications technologies. Although the profitability results of revenue management techniques appear evident, the integration between revenue management and customer relationship management is more complex and is becoming a crucial concern from a long-term view.

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