

# The Evolution of Digital Marketing in the 21st Century: Three Periods Analysis

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**Abstract.** Digital Marketing has been in development for more than 30 years. Since 2000, however, it has developed extremely quickly, significantly altering how businesses market themselves. Based on secondary data, extant literature, and internet sources from Google Scholar, this paper will provide a review of the evolution of the digital market in the 21st century and its underlying factors. According to the different motivations for the digitalization of the market, the paper will break the evolution of the digital market in the 21st century into three periods: between 2000 and 2010, between 2010 and 2019, and after 2019. The growth of the digital market will be focused on, and it will be discussed how the new technologies, advertising concepts, platforms, and economic crises affected the digital market. Different tactics for the digital market, including Pay-per-Click (PPC), Search Engine Optimization (SEO), Content Marketing, Social Marketing, etc., will also be discussed.

**Keywords:** Evolution of Digital Marketing; 21st Century; Three Periods.

## 1. Introduction

People's lives have changed due to new technology, as have their demands and how they interact with markets and products. Customers can now find price and evaluation information on various channels, giving them additional product options and increasing their opportunity to connect with manufacturers [1]. The market is transitioning from traditional to digital to meet the increased demands of consumers since the advent of the Internet. For more than 20 years, the transition has been ongoing. Studies have been done to find the causes of the development of the digital market in a particular period before. Still, it is worthwhile to integrate these drivers of digitalization to analyze the trends in the digital market so that they may be used to predict how events will affect the evolution of the digital market in the future. Several research papers and articles are used to provide evidence and insights into the digital market. Those research papers and articles are looked up from Google Scholars with accurate vital words, selected period, and ranking by relevance. With the support of research papers and articles, the main motivations to accelerate the digitalization of the market in different periods can be determined. After integration, all drivers of the evolution of the digital market since 2000 can be analyzed. The paper offers how new technologies, advertising platforms, and global crises affected the process of market digitalization and the primary tactics in the digital market.

## 2. Digital Market

### 2.1 What is Digital Marketing?

Digital marketing is a broad definition. The phrase "digital market" was first developed in the 1990s. All marketing efforts that use an electronic device or the Internet, including sending e-mails, displaying advertisements on the website, interacting with customers via social media, and others, fall under digital marketing [2]. The digital market is more efficient but more complicated simultaneously than the traditional market. Digital marketing is the marketing of products or services using technologies, mainly on the Internet, but also mobile phones, display advertising, and any other digital medium [3].

## 2.2 Different Tactics in Digital Market

The shift from the traditional to the digital market impacts consumer demands and business strategies. The two primary goals of exploiting the internet market are lead generation and brand awareness [2]. Rapid technological advancements and the emergence of new digital platforms give businesses more channels to advertise and promote their goods and services. However, this also means that experts in firms are pushed to develop the most effective strategies and pick the proper channels based on their products and services and the status of their company. After decades, digital marketing tactics have evolved and grown significantly [4]. Here are several most common digital marketing tactics:

**Pay-Per-Click:** Pay-Per-Click, shortened to PPC, is a tactic in which the business must pay the publisher each time one of the businesses is clicked. It is one of the strategies that larger enterprises use most frequently in the digital market. The price is high, but it is also effective. It can benefit businesses regarding trust prerequisite, expressiveness, reducing hazards, and click extortion [5].

**Search Engine Optimization:** According to the Internet Advertising Revenue Report (IAR), a search was the largest digital advertising format in 2020. Search Engine Optimisation, shortened to SEO, is a strategy that a company pays search engines so that when consumers search for related key terms, its website will be led to the top spot in organic search results (be placed higher on the search engine result page) [6].

**Content Marketing:** It is a strategy that produces valuable content and shares it over different digital platforms to bring traffic and provide customer value. The idea of content marketing has been around for a long time, but before, the technique was primarily applied to TV, radio, and newspapers. Due to the emergence of new digital platforms, content marketing today has changed significantly after the advent of the Internet [7].

**Email Marketing:** Email has been used for marketing purposes for a long time since it was invented. This tactic entails businesses informing customers via email of their new activities, promotions, and goods and services [2, 4].

**Social Media Marketing:** Social media marketing is used widely by nearly all companies. Companies use these strategies to advertise, share their content, and promote themselves on social media to drive traffic and keep friendly customer relationships at the same time [8].

**Display Marketing:** By revenue, the display was the second largest digital advertising format in 2021. Companies can choose the space on which channels, like the side of website pages and beneath videos, to display their advertisements in the form of static or dynamic images, text, and interactive videos [3].

**Marketing Automation:** Utilizing software to automate marketing processes, including customer segmentation, customer data integration, and campaign management, is known as marketing automation. Marketing automation increases the efficiency of procedures that would have been carried out manually and opens the door to new ones [9].

**Affiliate Marketing:** Affiliate Marketing is a performance-based marketing strategy. The Affiliate Network will provide a large base of publishers. These publishers will be compensated with a commission for marketing goods and services on their website. Since this tactic is performance-based, it is helpful for startups. This tactic overlaps other digital strategies, such as Cost-Per-Click (CPC), Cost-Per-Lead (CPL), and Cost-Per-Sale (CPS).

## 3. The Evolution of Digital Market in the 21st Century

### 3.1 Digital Market from 2000 to 2010

#### 3.1.1 Impacts of New Technology on Digital Market, from 2000 to 2010

The Digital Market has grown quickly since the 1970s. The introduction of email, search engines, messages, and the concept of display ads significantly changed the market. Between 2000 and 2010, the digital world grew even more quickly. Media, including Facebook, Twitter, and YouTube, were

launched. The concepts of Google AdWords, marketing automation, and mobile advertisement are introduced to the market. Even though these strategies were new to the business world then, they are proved effective immediately after applied to the market and are still in use today. The representative is Search Engine Optimization (SEO). This tactic comes with the invention of Google AdWords and belongs to search marketing. Even in 2021, by making up 41.4% of all internet advertisement revenue, search is still the most popular format of advertising in the digital market.

Moreover, the birth of the iPhone in 2007 was a revolution. After one year, in 2008, the first Android smartphone was launched as well. It was the start of the smartphone era. As digital media and new technologies expanded rapidly, there were an increasing number of Internet users. There were only 16 million internet users worldwide in 1995, but by 2002, this number became 558 million [10].

Companies had to respond to the growing number of internet users as long as the change in their demands. For instance, instead of asking the sailor, customers in the 2000s could access information and meet their needs on the Internet. Businesses and brands were pressured to alter how they utilized technology for marketing, and more and more companies began to realize the importance and efficiency of digital market campaigns [2].

### 3.1.2 How Did the Financial Crisis Affect the Digital Market?

The Global Financial Crisis of 2008 is one of the most significant economic shocks to hit the world in recent memory. Originating from the problems of sub-prime housing loans in the United States, the crisis finally affected nearly all countries [11]. This crisis has shaken the financial system and the real economy, but what about the digital market? With the Difference-in-Difference approach, Erik van der Marel helped analyze the change in the digital market during and after the Global Financial Crisis of 2008 [12].

In the Article *Shifting into Digital Services, Does a Financial Crisis Matter and for Who?* Erik van der Marel provides evidence that the trade pattern changed to include more digitally intensive services with the Global Financial Crisis of 2008. However, the article also demonstrates that the transition from traditional to digital-intensive services had already begun before the crisis. According to the author, although it cannot be asserted that the Global Financial Crisis of 2008 drove the shift to digital services, it may still have coincided with it or exacerbated what was already occurring in the market [12].

## 3.2 Digital Market from 2010 to 2019

### 3.2.1 Social Media

Since 2000, the digital market has expanded significantly. Businesses have been paying attention to the digital market, and the competition has gotten fierce. With a 48% increase in digital media spending in 2010, there were 4.5 trillion online advertisements annually [2]. Moreover, the public generally accepts the Internet and digital products and services. By 2011, 80% of citizens were Internet users in the United States [13]. After years of use, social media platforms like Facebook, LinkedIn, Twitter, and YouTube have been widely accepted by the public. There was an ongoing market introduction of new platforms, such as Instagram and Pinterest [10]. The combination of all the circumstances created the ideal environment for the emergence of the age of social media.

With all the social media platforms, people are eager to share details about their lives online and read other people's posts simultaneously. Companies gradually understood that social media is an effective tool for influencing consumer behavior. By promoting content and brand with their accounts on various social media platforms, they could easily enhance brand awareness, drive traffic and keep good relationships with their consumers [2]. Another well-liked strategy of influencing consumers' actions is collaborating with "hubs" and "influencers" with groundbreaking effects and consumer-to-consumer interactivity. A company needs to interact with and attract current and prospective customers [8].

Furthermore, as a marketing tool, social media can help generate users through their content and what they view [13]. Businesses can use this social media function to locate their target customers develop tailored marketing campaigns for different types of clients, and precisely push advertisements to them. According to the IAB Internet Advertising Revenue Report of 2019, 28.6% of total internet advertising is social media advertising, and the annual growth rate from 2012 to 2019 is 43%.

### 3.2.2 Smartphones

With the widespread use of smartphones, mobility is another trend in the digital market shown in the 2010s. With a smartphone, any digital activity may be carried out anywhere as long as the device is nearby. People cannot only send and receive emails and messages but also browse websites and download the desired social media app to share their life on the phone. This means digital advertising would not be limited to desktops anymore. A smartphone can be used as a tool for digital activity as well. IAB's analysis in 2019 shows that since 2010, the compound annual growth rate (CAGR) of mobile advertising has been 73.8%, while the desktop CAGR is only 4.5%. The increasing revenue of mobile advertising shows that companies have realized the increasing use of smartphones and gradually changed their focus from desktop advertising to mobile advertising.

### 3.3 Digital Market During and After Pandemic.

Similar to the Global Financial Crisis of 2008, the COVID-19 pandemic has had a tremendous financial impact and has shaken the global economy. Policies constrain the interaction between producers and consumers and nearly all business activities. Therefore, digital tools and interactions in the digital world have increased significantly [14]. How the pandemic affected the digital market is studied to find the relationship between them.

The IAB Internet Advertising Report of 2020 shows that the revenue growth between 2019 and 2020 of all media types except internet advertising, video games, and esports is negative. Even internet advertising revenues are affected by the pandemic. Internet advertising revenue growth rate is slowing down but still has a positive rate of 12.2%. From the data, it can be seen that the digital market is affected by the pandemic. The study done by Paolo E. Giordani and Francesco Rullani in 2020 provides evidence of the exact connection between the digital market and the COVID-19 pandemic. It predicts the accelerated digital transition motivated by the pandemic with the model they built. According to Giordani and Rullani, the COVID-19 pandemic offers businesses a strong incentive to make the permanent investments required to enter the digital market.

Furthermore, the pandemic pushed consumers and producers to familiarize themselves with the previously unfamiliar digital platforms. They believe that the demand shock of the COVID-19 pandemic is positive and promotes the market's digitalization. The model built by Giordani and Rullani proves that both the price and the number of transactions in the digital markets increased due to the shock of the COVID-19 pandemic. In contrast, the retreat of the pandemic would lower them. The net effect will ultimately be positive for both prices and the transaction to the digital market [14].

The fact in 2021 proved that Giordani and Rullani are correct about the positive impact on the digital market. The situation changed in the second year of the COVID-19 pandemic. The year-over-year internet advertising revenue growth rate between 2020 to 2021 is 35.4%, which is almost tripled compared with the YoY growth rate between 2019 and 2020, based on IAB. According to the data for 2021 from IAB, businesses are investing even more in the digital market than before the pandemic. With the continued use of e-commerce during the pandemic, the revenue from digital advertising increased by \$10 billion in Q4 2021 compared to the same time in 2020. Moreover, all digital video, digital audio, and social media revenue are increasing exceptionally quickly in 2021, with a growth rate of 20.9% in digital video, 39.3% in social media, and 57.9% in digital audio.

However, Giordani and Rullani's idea that a pandemic retreat would result in fewer transactions in the digital market is inconsistent with the trend IAB has identified. According to IAB, even though the epidemic started to recede by the end of 2021, there will still be more investment into digital due to the high development of revenue s in all digital market sectors and ongoing expansion in e-commerce. IAB also lists a few future issues the digital market will face that could slow down the

development of digitalization. First, consumers are aware of privacy and addressability issues. After decades of digital market development, consumers began to realize the importance of their data. Some publishers and platforms are willing to trade consumer data for ad-free, subscription-based experiences. Due to this circumstance, ad-supported streaming service is in danger. Second, trust and transparency become important for advertisers. It will take a long time to build trust and show transparency to consumers, and it will cost a lot at the same time. However, IAB believed that industry and advertisers must do so to prepare for regulatory changes. Third, diversity, equity, and inclusion must be focused on as the consumer population diversifies.

In a word, the COVID-19 pandemic is a global crisis for finance and the economy, but from the perspective of digitalization, the crisis promoted the evolution of the digital market. Adopting online education, mobile payment, smart working, and zoom meeting during the pandemic helped more public contact with the digital world so that business could be changed to be more digitally based.

#### 4. Conclusion

Based on all the extant literature, internet sources, and secondary data, it can be known that the transition from traditional to digital market changed people's lives and business patterns. Since 2000, there has always been an acceleration of market digitalization for various reasons. Between 2000 and 2010, the digital market was developed due to increased internet users, innovations including search engines and smartphones, the advent of social media, and unique advertising concepts. After those new fresh advertising concepts, companies continue developing new digital marketing tactics. Between 2010 and 2019, the widespread usage of social media and smartphones significantly impacted the digital market. In the same period, the digital focus market has transferred from desktop to mobile platforms due to the widespread use of smartphones. The two significant crises, the Global Financial Crisis, and the COVID-19 pandemic, helped promote the process of digitalization as well. During the crises, the digital market demonstrates its advantages over the traditional market. Even though there has been more than 30-year of evolution, the digitalization of the market is still going on. Seeing through the last 20 years that the digital market has developed over, it has become clear that the evolution of the digital market is sensitive to new technologies, advertising platforms, and economic crises. Although the trends indicate that privacy, trust, transparency, and diversity may slow down the digitalization process, given the digital market's effectiveness and potential, it is believed that the future of this form of the market will be bright.

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