

# Impact of Digitalization on Marketing Practices

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# **IMPACT OF DIGITALIZATION ON MARKETING PRACTICES**

FINAL PAPER

University of Zagreb  
Faculty of Economics and Business

Course: Marketing Innovation

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Zagreb, September 2022

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## 1.1 Subject of Work

The main objective of this paper is to research and inspect the impacts new digital technologies had on marketing practices. The introduction of the the internet, the personal computer as well as the mobile phone all had enormous influence on the development and trajectory of modern day business and marketing. Each of these advancements will be carefully examined and analyzed in detail. If these advancements had an impact on marketing and business practices, and if so, to what extent, will all be shown in the paper.

## 1.2 Used Methods and Data Sources

The data collected used for this paper is all a result of careful and though-through secondary research. The sources consist of credible research papers, online articles as well as scientific journals. This data was then analyzed using graphical depictions as well as numerical calculations. The graphs are all made with the data collected through this research, and were used to help depict the subjects and problems in question.

## 1.3 Paper Structure

The paper consists of three main parts. In the first, digital disruption is analyzed through different units. The first being the disruption of platformization - including social media platforms as well as email and Google as drivers of digital disruption.

Secondly the disruption of retail by numerous web-shop platforms as well as online retail innovations is studied. Next the future of retail including AR, VR and AI is discussed in the second chapter of this paper.

The third chapter of this paper focuses on the digital disruption of equity markets. This entails the introduction of online trading, new ways of market manipulation where the famous Gamestop case will be discussed, and also the introduction of cryptocurrency markets. The advantages and disadvantages of these new markets are carefully studied.

Lastly, the case of the British company Gymshark will be analyzed as a great example of a modern company which used all the digital disruptive technologies mentioned in the former part of the paper.

The paper ends with a comprehensive conclusion and final remarks where everything said will concisely be summarized.

## 2. Digital Disruption and Platformization

The internet has quickly emerged as a key factor in the marketing of numerous consumer goods. It has not only developed into a crucial marketing instrument, but it has also fundamentally altered the marketing mix. The internet was mostly used for information and research in its early years.

It is still a crucial information source, despite having quickly changed from a teaching instrument to a commercial force. Customers may now research different goods while sitting comfortably in their own homes. In fact, regardless of how consumers choose to purchase the goods, it is likely that they will use the internet to conduct preliminary research on a new product area.

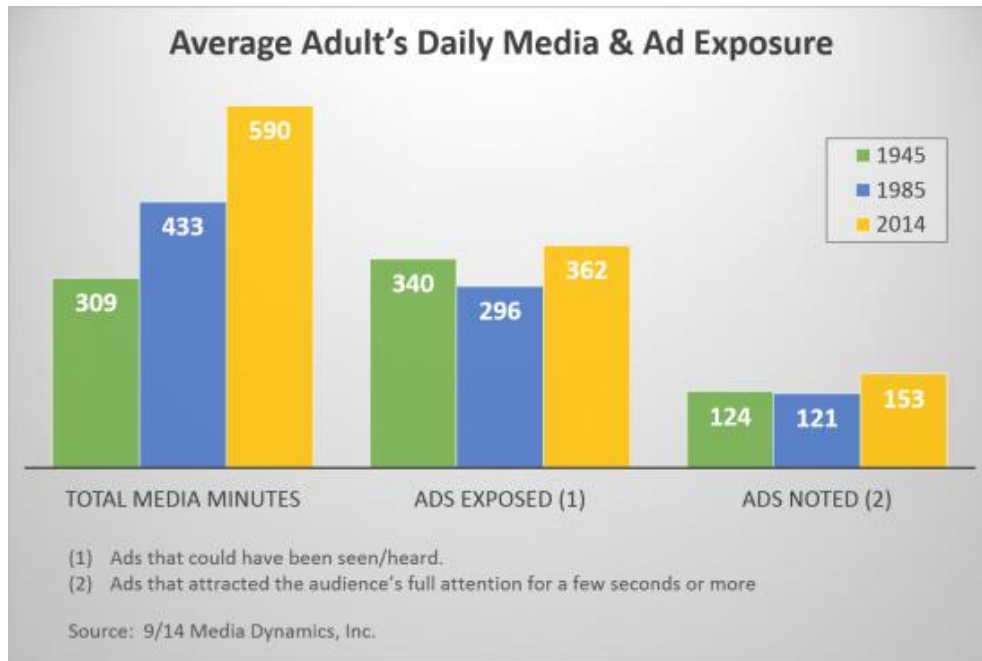
With the introduction of the information age, consumers are more eager to learn more about a product and eager to make better judgments. Information that is readily available is no longer a luxury to have; it is now expected. Consumers today want more, and they will locate the information they need. Previously, our world consisted of information-starved 30-second advertisements, and nowadays this is not the case. (Anderson 2022)

The Internet has given customers greater power to contact businesses and learn more about their goods or buy them without having to leave their homes. Instead of only during "store hours," they are free to contact the firm at any time during the day. Customers now anticipate being able to contact the business whenever it suits them. Internet search engines and directories have been created as a result, making it easier for customers to discover the items and information they want. (Anderson, 2022)

While all of this additional access to information might seem purely positive at first, it has its negative sides as well. Consumers are now getting too much information thrown at them at once. This in turn causes resentment to excessive advertising and makes it harder for a singular business to impact its desired customers. The amount of advertising material an individual is exposed to on a daily basis has grown dramatically since the introduction of the internet. It is up to each consumer to decide whether this is a positive or a negative. (Vertex Marketing Agency, 2020)

This increase in advertising exposure is perfectly depicted in the graph below:

Figure 1: Average adult's daily media and ad exposure



Source: <https://sjinsights.net/2014/09/29/new-research-sheds-light-on-daily-ad-exposures/>

Furthermore, from the graph it can be perfectly seen that while the the amount of ad exposure has grown by a lot, the amount of ads that are actually recognized and acknowledged by the consumers hasn't changed that much. From this, it can be concluded that in this aspect the efficiency of one single ad has decreased. However, the overall efficiency of ads has increased unimaginably and this will be discussed in the later parts of this paper.

This significant increase in the overall ad performances has strongly been aided by social media, machine learning as well as machine pattern recognition. The introduction of lookalike audiences by tools such as Facebook business manager has revolutionized the precision and analysis of a companies' target audiences.

## 2.1 Social Media

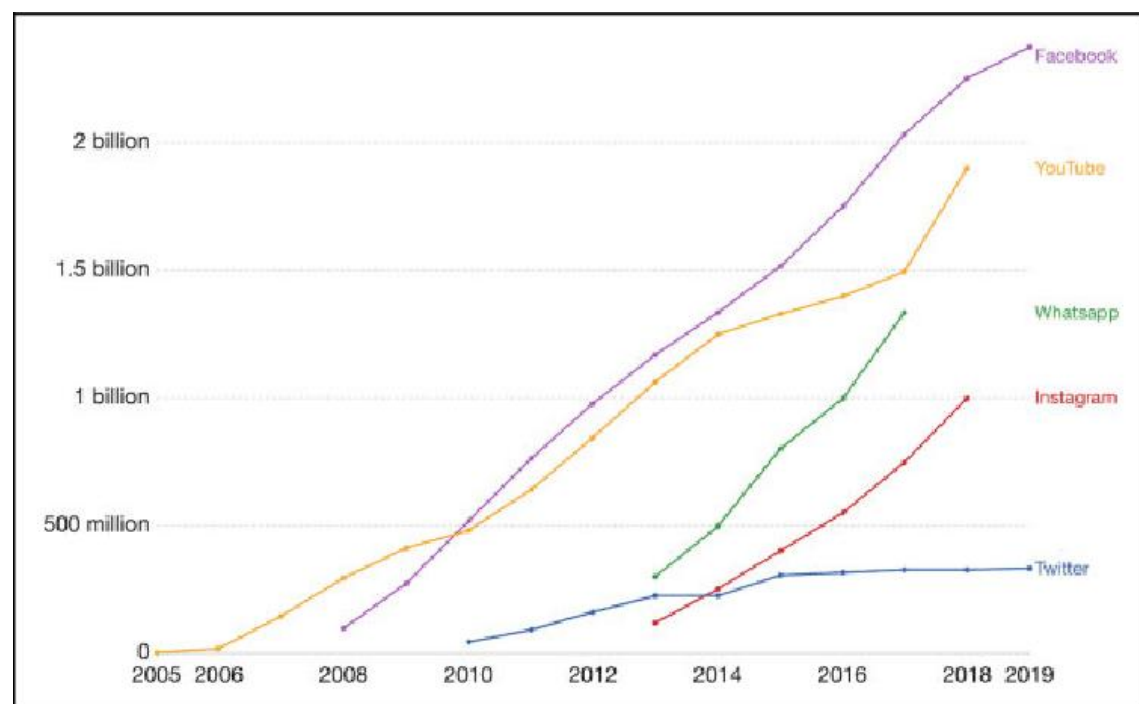
Social media has revolutionized the world in more ways than words can say. By providing businesses with incredible opportunity to sell their goods and services to a

much bigger audience and establish a solid brand name, it has simplified the business models for numerous industries. Businesses discovered the perfect marketing opportunity since the vast majority of people spend time online, and firms have learned how to capitalize on this new behaviour.

From consumer behaviour, to marketing practices all the way to real life behaviour, this radical and disruptive innovation has shifted the direction of human evolution. Nowadays it is infinitely simpler for companies to reach their target audience at any time of the day, on almost any device imaginable. It has allowed the term omnipresence to really come to life and be used in day to day business operations.

The creation of audiences, followings and loyal customers has been simplified and made possible to virtually anyone and everyone. 3.4 billion people use social media regularly, and users spend 135 minutes every day online on average. With these statistics, it is not hard to realize that almost every business should have at least a part of their operations focused online. Be it simply social media marketing or even driving consumers to their e-commerce stores, social media has obviously become a large factor in every industry. In the graph below, this enormous growth can be seen: (Chaffey, 2022)

*Figure 2: Social media user growth*





Source: [https://www.researchgate.net/figure/Exponential-growth-of-social-media-Source-Statista-and-TNW-2019\\_fig2\\_338777922](https://www.researchgate.net/figure/Exponential-growth-of-social-media-Source-Statista-and-TNW-2019_fig2_338777922)

The graph above shows the daily users of each social media platform listed. While Facebook is still at the top, YouTube is rapidly catching up which can be an indicator of a shift in the ways in which individuals consume online content.

Both the number of users and social media platforms are growing. YouTube, Facebook, Instagram, Snapchat, Twitter, LinkedIn, Pinterest, are among the most popular ones. Utilizing these platforms businesses have become a personification of themselves by providing their brands a humanoid voice and unrivaled customer services that enable connecting with the public on a more personal level. Businesses may now interact with their customers like friends who are aware of their wants and needs and offer helpful solutions and/or products, all thanks to social media. (Vertex Marketing Agency, 2022)

Ads on social media make a ton of data available. Businesses could easily obtain analytics of what their customers are looking for, what prompted them to make the final purchase, how their ads have been successful or unsuccessful, and other information rather than simply speculating about what they would like or why they would want to buy a product.

One of the tools which allowed for this to happen is Facebook ads manager.

### 2.1.1 Facebook Ads Manager

Among other powerful tools, Facebook ads manager is a very complex piece of software which allows businesses to create, manage, analyze, adjust and improve their marketing campaigns and strategies. It allows users to create extremely detailed and specific audiences which will be targeted by their ads. Region, interests, typical behaviors, friends, experiences are only some of the data the Facebook software collects and uses to improve ad performance. The advanced AI used in their programs allows the software to learn and automatically improve set ads and campaigns as a whole. Everything from the ad visual to ad copies can be altered and optimized by Facebook's powerful AI. In the past, this would have been done by dozens of analysts and experts, and still they most likely wouldn't get as good of results as Facebook's AI does.

Facebook has allowed novices to perform and market their businesses as seasoned experts, therefore giving their users a large edge over non-users. With the implementation of lookalike audiences, users do not even have to create this part of their advertising campaigns by themselves, everything is perfectly optimized by Facebook. These virtually perfectly targeted ads have caused a lot of privacy issues brought up by Facebook's users. The ads each user is being exposed to is getting to the point where it is too precise, making the end consumers upset, since they get the feeling that they are being watched all the time. And in reality, this is exactly the case. Every move a consumer makes on any of Facebook's platforms is monitored, recorded and analyzed. Even the duration of display of a specific piece of content is recorded and used to optimize ads. (Anderson, 2022)

The result of all of this is incredibly high ROI (return on investment) and really low PPCs (pay per clicks - price paid for each click). Another metric which is incomparable to previous figures, those before the internet, is ROAS or return on ad spent. Nowadays, thanks to tools such as FB ads manager, business can get a lot more return for each dollar they spend on their ads, making their ads a lot more efficient and effective. Furthermore, those tools are not the only great innovation that has happened in the marketing world, influential people have become a priceless asset to have. (Bailyn, 2021)

### 2.1.2 The Birth of Influencer Marketing

Throughout the ages, people have had idols and other individuals which they look up to. However, it has never been easier for those idols to connect with their fans and followers. Social media has allowed them to interact with and influence their fans on a daily, even an hourly basis. Not only has this proven to be a great thing for the influential people themselves, but also other businesses who decide to work with them.

Platforms such as Instagram, Snapchat and TikTok have allowed businesses yet another way of connecting with their desired audiences. Firms have realized the power of a following and are now capitalizing on it more than ever. Paying an "influencer" to promote a product has become one of the leading ways of marketing, and it has proven to be extremely effective. The main reason being is the fact that people trust the people they look up to, and are much more likely to follow their advice and/or use the products they are using.

Influencers have made it even easier for businesses to connect with their customers on a much more personal level. An influencer advertising a product is much more like a friend's suggestion than a cold ad. Therefore, these types of ads have proven extremely effective. (Geyser, 2022)

Exactly how effective these types of ads are, is shown by the average ROI a business achieves through influencer marketing. These days businesses are making a whopping \$5.78 for every \$1 they spend on influencers. Furthermore in 2021 this type of marketing has grown to \$13.8 billion in 2021. It is expected that this figure will grow rapidly in the future, as can be seen in the graph below. (Baklanov, 2022)

*Figure 3: Estimated influencer marketing growth*



Source: <https://hypeauditor.com/blog/instagram-influencer-marketing-market-size/>

As the graph shows, the projections for 2025 are well above \$20 billion spent on influencer marketing in a single year, which is almost double of what was spent last year. There is no doubt that this type of disruptive marketing is one of the leading ways of advertising in the modern era.

## 2.2 Email Marketing

Email is another great revolutionary tool new marketing strategies utilize. Customers on which are on email lists may be informed about new goods, deals, and other services through email marketing. Educating a businesses' audience about the benefits of a brand or maintaining their interest in between transactions has become a very important marketing strategy. In order to achieve the greatest results, companies have invested large amounts of money into software and algorithms to increase the email opening rates as well as email conversions.

The first ever email was sent in 1971, while the first ever email sent with the purpose of advertising a product was sent in 1978. That single email, which had around 400 email addresses which it was sent to , ended up generating more than \$13 million in sales. This was the first time the potential of email marketing was unveiled. Even though this showed the first glimpse into what email technology could do for businesses, it wasn't until the 1990s when the internet became widely used by the general public, that email became used as a regular marketing tactic. (Mailchimp, 2022)

As communication between people started to shift drastically, marketers realized that email might be a useful tool for advertising. Regulation modifications also became necessary because of the rise of marketing emails; the U.K.'s Data Protection Act, for instance, was changed to mandate a "opt out" option for all marketing emails (Chaffey, 2022).

Due to the fact that emails remain in the inbox until they are read, deleted, or archived, email has grown to be a very popular marketing tool for companies. It makes the customer have to take action. However, email is also one of the most affordable methods accessible. Just like influencer marketing has proven to be a very successful marketing strategy with a high ROI, email ROI is even more cost effective, and not by a little, but by a mile.

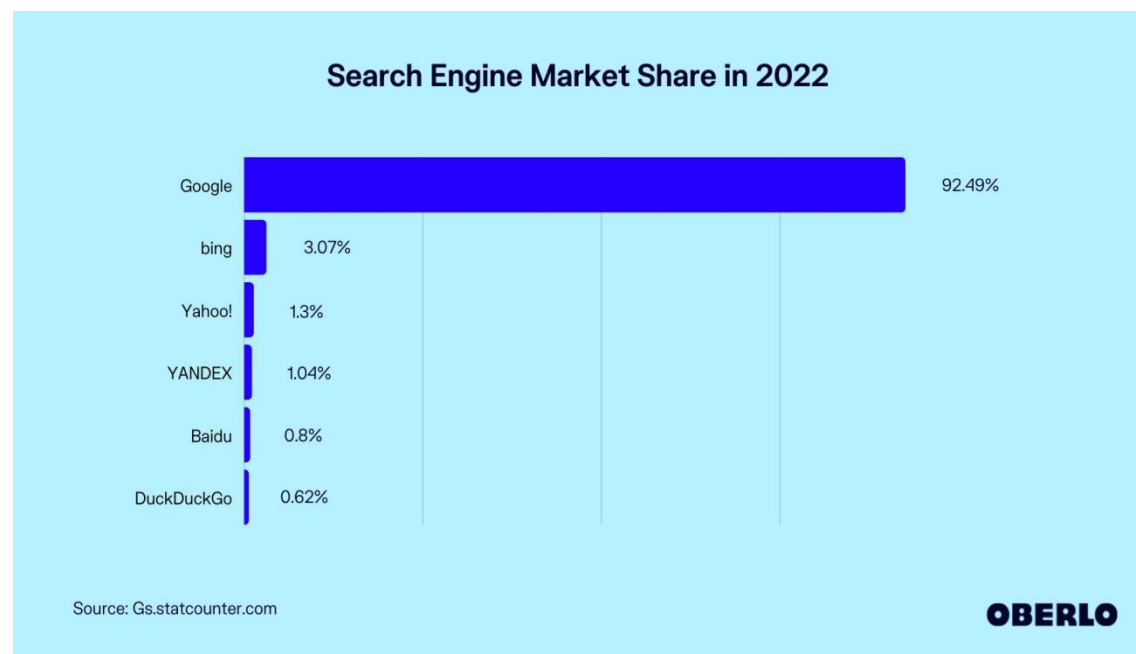
A 2015 research done by the U.K. based Direct Marketing Association (DMA) found that the average email campaign ROI is \$38. The almost non existent cost for sending emails is what allows for such a high ROI, making it one of the most cost effective forms of modern day advertising. Just like FB or Google ads, email marketing tools also allow users to perform various A/B tests, and optimize their email campaigns to perfection.

### 2.3 Google

Google has built almost a perfect advertising machine by the name of Google Ads. The software they have designed and developed is all inclusive and capable of almost anything any marketer can think of. The segmentation is similar to that of Facebook's Ad manager, however the ad placement and the advertising model varies.

The thing which makes these ads so successful is the Google search engine. Most internet searches go through Google's search engine as it can be seen in the graph below. It is impressive to see the dominance Google has managed to achieve in their niche.

Figure 4: Search engine market share in 2022



Source: <https://www.oberlo.com/statistics/search-engine-market-share>

As can be seen in the graph, Google has managed to acquire more than 90% of all internet searches. This incredible achievement is a great teller of how precise and optimized their ad system can be for their users. With access to such great amounts of data on internet users, Google can and has created software used by most of today's businesses.

As mentioned earlier, Google ad users chose where they want their ad to be displayed, or they can let Google decide the most optimal positioning for them. Furthermore, to avoid low quality websites and ads, Google prefers optimized websites as well as optimized ads. There are two distinct ways a business can appear withing the Google search results. The first way is the organic rank which is achieved by website and keyword optimization, while the second way is pay-per-click, better known as PPC.

PPC advertising was and still is revolutionary. One of the most often used types of PPC is search engine marketing. In the event that a user searches for a term associated with their product or service, it enables marketers to compete for ad placement in the sponsored links of a search engine. Every time a link is clicked, the owner of that website's link has to pay a small fee know as CPC - cost per click. The main aim for businesses is to have their CPC as low as possible in order to earn the largest profit. For example, a cost per click of \$5 is satisfactory if the click itself will bring in more than \$5 that was spent on the click. This is where businesses make their profits with Google Ads. (Wordstream, 2022)

A successful PPC campaign involves many steps, including keyword research and selection, campaign and ad group organization, and the creation of PPC landing pages that are optimized for conversions. By charging them less for ad clicks, search engines reward marketers that can develop relevant, intelligently focused pay-per-click campaigns. Google will charge a business less per click if their advertising and landing pages are beneficial and appealing to consumers, which will increase that company's earnings.

The CPC bid and quality score are multiplied to create the parameter known as ad rank, which determines who appears on the page (a value that takes into account the click-through rate, relevance, and landing page quality). With the help of this technique, successful advertisers may reach potential clients for a price that suits their budget. In essence, it's a form of auction.

In order to analyse the performance of different websites, Google has also created a software called Google Analytics. Organizations can use it to identify the main user traffic sources, evaluate the effectiveness of their marketing strategies and campaigns, track goal accomplishments (like purchases and cart additions), identify patterns and trends in user engagement, and gather other visitor data like demographics. Google analytics is frequently used by websites to gather and analyze different consumer

behavior analytics, which can be utilized to enhance marketing efforts, increase website traffic, and better retain customers.

The way Google Analytics was designed is very complex and thought through. Page tags are used by Google Analytics to collect user information from each website visitor. Every page's code has a JavaScript page tag. Each visitor's web browser runs this tag, which gathers data and transmits it to a Google data collection server. Then, using configurable reports, Google Analytics may track and display information such as user counts, bounce rates, typical session lengths, sessions by channel, page visits, goal completions, and more. (Chai, 2021)

### 3. Digital Disruption of Retail

One of the early consequences of the internet was to encourage a considerably bigger expansion of specialized shops than ever before—retailers with a distinct point of view but who may not necessarily require a significant amount of floor space.

Physical storefronts are now a part of a retailer's marketing and sales strategy rather than being their only or main means to contact customers, thanks to the internet's ability to engage with potential customers and express their brands in whole new ways. It allowed small retailers to increase their reach and in turn market share without large increases in cost. In short, it made the market a lot more competitive.

Contrary to what one might expect, the ability of retailers to brands online has actually resulted in more focused and impactful physical stores. This is true even though it would be logical that the decline in the importance of physical stores would result in less interesting designs. But because now, physical stores compete with all online stores, they were forced to improve their services in order to not fall behind and fail. Therefore, the advancement of online shopping has improved physical shopping experiences as well. The direct comparison can be seen in the pictures below:



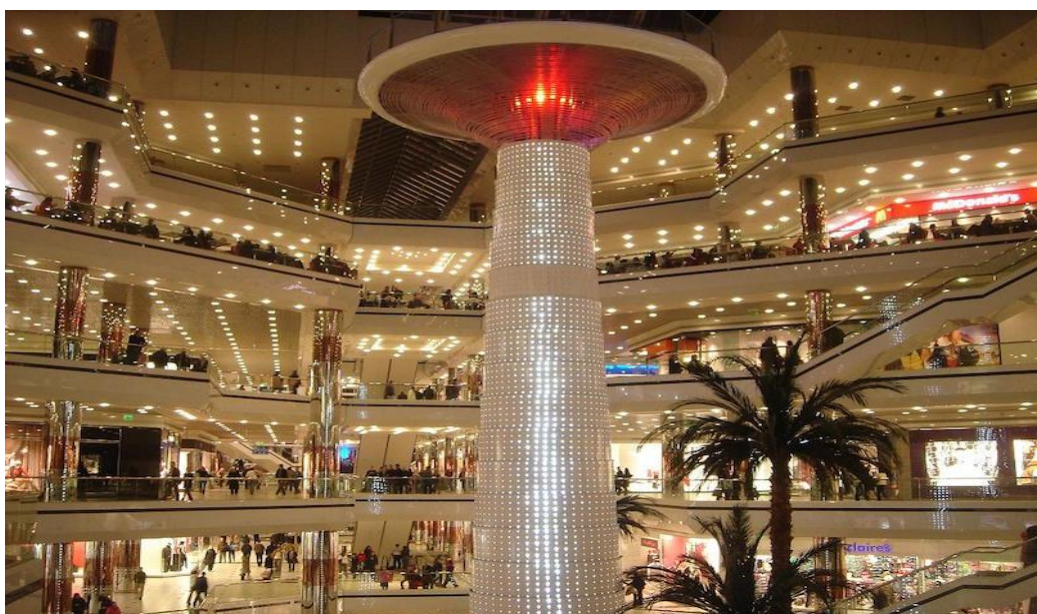
*Figure 5: Shopping centers before the advancement of the internet*



Source: <https://www.vintag.es/2019/05/1950s-and-1960s-american-shopping-malls.html>.

The picture above shows an old shopping centre before the internet, proving the point that in the past shopping malls had no real incentive to improve the shopping experience.

*Figure 6: Shopping centers after the advancement of the internet*



Source: <https://www.touropia.com/largest-malls-in-the-world/>



The picture above shows a modern day shopping centre, and the consequence of the internet is apparent. The difference in design is large and significant.

As we can see in the two pictures, the internet has forced physical retail locations to change and improve their appearance in order to stay competitive. Today, it is not enough simply to have a store with good products, customers require the whole shopping experience to be a good one, not just the products. The way people shop has changed from a quick trip to the mall, to a trip to the mall.

The internet has allowed stores to incorporate all kinds of shopping into their business models. Some, who have managed to utilize the internet in the best way, have become omnipresent. Their customers can choose whether they would like to shop in person or online, or maybe purchase something online and pick it up in store, or even purchase it in store, and have it delivered to their home. There are a lot more opportunities for the customers today, when compared to the past. This is all thanks to the development of the internet.

Furthermore, many physical stores are starting to implement various elements of online shopping. Things like virtual try on software in stores like Burberry are coming to life. The implementation of this kind of software, and more specifically AI and VR will be discussed in the later parts of the paper.

### 3.1 E-Commerce Platforms

In the beginning phases of the internet, the creation of web shopping platforms was complicated and could only be done by a handful of experts. With the development of the internet, came the development of web shop platforms. These platforms allowed people and businesses who are not that skilled, to build their own professional looking web store. This has broken down one of the biggest barriers to entry for selling online also known as e-commerce. In today's world, the competition on the internet is rising at record speeds as more and more businesses start to capitalize on these game changing opportunities. As more and more businesses enter into e-commerce, there will be more and more innovation driving the market forward. One of the biggest market driving companies which stepped into the market is, and still is Shopify.

### 3.1.1. Shopify

Through a single, streamlined interface, Shopify's user-friendly e-commerce platform enables small companies to create an online shop and conduct online sales. Shopify sellers may create a cutting-edge online store and sell using email, SMS, chat, seller marketplaces, other blogs, and websites. Furthermore, Shopify has enabled in person selling as well. The company has created a seamless integration for physical stores as well. Their main goal is to assist companies in setting up their online stores and allow merchants to sell directly to customers anywhere in the world. The company offers end-to-end services from billing to shipping, in contrast to Amazon, which has a history of pushing sellers against one another in a pricing war. (Fabregas, 2022)

Technically speaking, Shopify is a software-as-a-service (SaaS) sales platform that is subscription-based. Starting at \$29 per month, Shopify provides four regular shop membership tiers. A comprehensive complement of offline and online selling tools are supported by all standard plans, along with a branded web store.

Additionally, Shopify offers built-in Shopify Payments as well as the ability for businesses or individual sellers to integrate their own payment processor. Shopify charges a transaction fee that ranges from 0.5% to 2% of the total amount for each online sale if Shopify Payments is not chosen. (Sularia, 2021)

To demonstrate their flexibility, innovation and market driving developments, Shopify has aided small business owners immensely in the Covid-19 pandemic. When brick-and-mortar businesses were forced to close during the outbreak, many retailers were forced to switch overnight to online sales. Shopify released new tools and services to ease this transition. In the second quarter of 2020, the number of online stores developed on Shopify's platform increased by 71%, and the company has since announced astronomical growth rates. The pandemic has dramatically increased the speed of world wide e-commerce adoption. There are more stores being built online now than ever before, and Shopify is one of the main facilitators of this shift, unlike the usual giants in the space of e-commerce. (Sularia, 2021)

The main guiding principle of Shopify is the one, which strives to establish a more democratic e-commerce environment where even small and medium-sized enterprises can prosper and carve out a niche for themselves in a market dominated by retail behemoths like Amazon, eBay, Walmart, and others.

While Shopify surely helps, it is always up to individual businesses to create their own paths to e-commerce success. Just like Shopify, there are other rivaling platforms for web stores, and one of them is WooCommerce.

### 3.1.2. WooCommerce

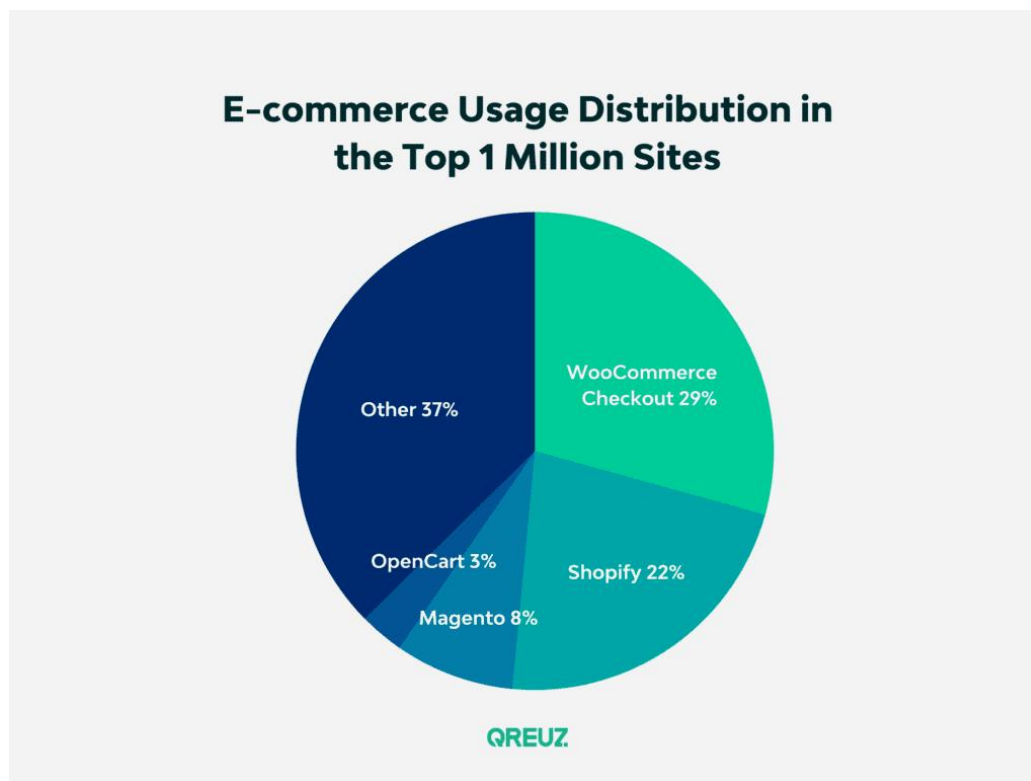
Similarly to Shopify, WooCommerce also allows its users to create integrative and responsive web stores. The concept and the idea behind WooCommerce is a little different than Shopify, but with the same goal in mind - to allow small businesses and individuals to sell their products online.

While Shopify is a platform on its own, Woo commerce is a Wordpress plugin, which turns regular websites into online stores. In order to use Woo users need to get their Wordpress accounts running and get the woo plugin, which then transforms their websites. As mentioned earlier, same goal just a little different way of achieving it.

Along with Shopify, Woo offers various plugins and extensions for the software. In order to make the little stores even more competitive, they managed to help with the wide selection of outsourced plugins. The plugins available for Woo are all made by outside developers who then sell their software on top of WooCommerce. This way they have utilized their audience and allowed them to expand and improve their initial product. Because of the amount of extensions, users can fully customize and create unique 1 of 1 stores on their own, without the help of experts. There are various plugins for increased sales, customer retention, higher conversion and so on. All made in order to make to e-commerce world more accessible to anyone and everyone, and not just to the big players.

Such variety of stores and possibilities is what is driving the market forward, as well as constantly improving the service for the both the sellers and the customers of such online stores. If we compare the users of WooCommerce and Shopify, with the rest of the e-commerce platforms we can easily see the domination these two are managing to achieve. The fact of the matter is that both are similar, but also very different from the competition.

Figure 7: E-commerce usage distribution in the top 1 million sites



Source: <https://qreuz.com/insights/e-commerce-platform-market-share-2017-2020/>

Both WooCommerce and Shopify experienced large growth spurts in the last few years. WooCommerce's market share was 18% in 2017 and increased to 29% in 2020 in just four years. Similar growth patterns were observed by Shopify, which went from 13% in 2017 to 22% in 2020. The market driving innovation these two are presenting is obvious and is justified by the market share both of them managed to capture. (Malaniff, 2020). This can all be seen in the graph above.

### 3.1.3 Amazon, Ebay and Alibaba

Similarly, Amazon, Ebay and Alibaba are all platforms for selling products over the internet, however, the business model these three giants employ is similar but also

very different than Shopify and WooCommerce. If these sites are compared to the past situation of selling, those three giants could be compared to supermarkets while Shopify and WooCommerce are contractors which build singular stores.

Amazon started off by selling books on their website. The business model worked and was doing well, however there was a lot of room for improvement. After successful book sales, they decided to expand and sell more and more products. However, there was a bottleneck on just how fast they could expand. In order to grab a hold of more market share, they innovated the industry completely. The radical, market driving innovation happened when Amazon switched from being a website, to being a platform.

The switch from website to platform allowed Amazon to scale incredibly fast as it was now made possible for individuals and other businesses to sell on their website as well. Amazon essentially invented or better to say first gave life to a business model today known as dropshipping or as they call it in their own case, Amazon FBA - fulfillment by Amazon. This new revolutionary business model allowed outsiders to store their products in Amazon's warehouses and let them do all the logistical work, while the seller reaps the rewards. In some cases the seller doesn't even see the products they are selling in person, they simply order it from the supplier directly to Amazon's warehouse. The seller then sells the products on Amazon's website and Amazon handles the rest. This big change in business model helped Amazon revolutionize online shopping and business as a whole. No more did people have to go to x amount of different websites to order everything they want and need, thanks to Amazon they now have everything in one place, just like the logo of Amazon suggests - from a to z. Amazon essentially became the first online shopping mall. The same way a regular shopping mall operates in the physical world, is the same way Amazon sells products on the internet.

The impact Shopify, WooCommerce Amazon and others are having on regular retail stores is already very significant. Shopify and WooCommerce mimic retail store and Amazon shopping centers and this is directly reflected on retail sales. While shopping centers are holding up fairly well for now, the same cannot be said for regular retail stores. As mentioned earlier, shopping centers were forced to step up their shopping experience in order to stay relevant and stay in the game. Improved interior and exterior designs, better overall service, better prices and other methods were all used to prevent their customers from leaving and shifting their shopping

habits online. For now shopping malls have successfully retained their customers by providing them with a complete experience rather than just a quick trip for the customer to get what they need. In order to see the real impact e-commerce is having on physical shopping, a graphical depiction of how e-commerce is affecting regular business practices can be seen in the graph below.

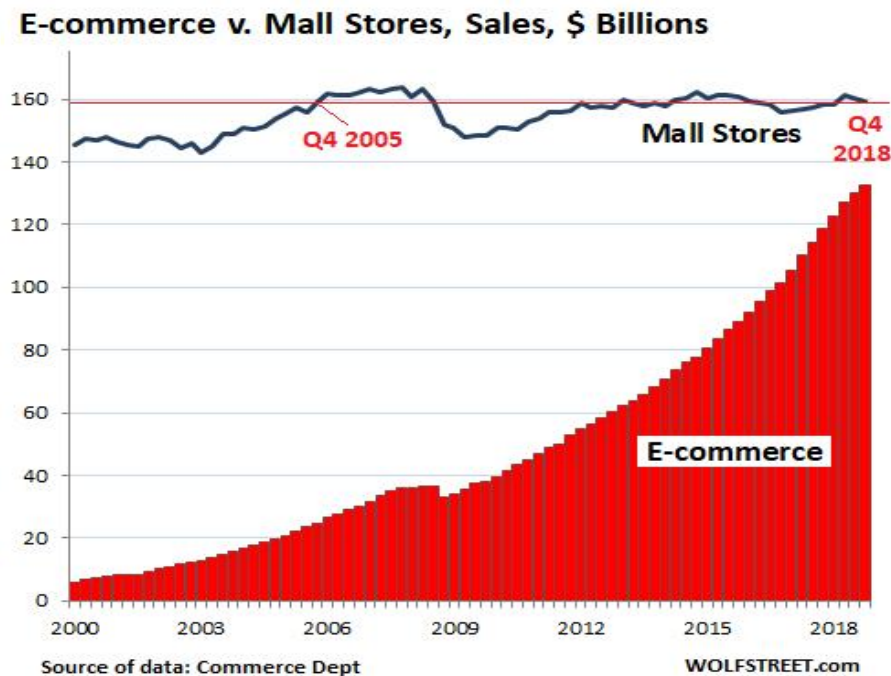
Figure 8: Sales at department stores, \$ Billions, quarterly



Source: <https://wolfstreet.com/2019/03/13/e-commerce-is-wiping-out-mall-retailers-one-by-one-heres-the-data/>

As the graph shows, the sales of department stores started declining sharply just as the internet was starting to get widely adopted by the general public. All through the 2000s and the 2010s this number kept and still is declining. In contrast to department stores, shopping mall sales remained fairly stagnant, and a graphical depiction of this will now be examined.

Figure 9: E-commerce vs. Mall stores, sales, \$ billions



Source: <https://wolfstreet.com/2019/03/13/e-commerce-is-wiping-out-mall-retailers-one-by-one-heres-the-data/>

As it can be seen on the graph, as e-commerce sales rose exponentially, the sales of shopping malls remained almost the same. This is due to the innovation the stores managed to implement on time.

Ebay is similar to Amazon, but again different. Just like Amazon, Ebay has allowed regular individuals to sell their products, but unlike Amazon where it is intended that one seller sells large quantities of the same product, Ebay is more of a reselling platform. Ebay's business model is that of a flea market. There are a lot of individuals wanting to get rid of their old objects, and Ebay helps them achieve this goal.

Selling on Ebay is again a little different than selling on Amazon. Where as Amazon takes care of logistics for their sellers, Ebay does not. Sellers on Ebay are much more dependant on themselves when it comes to packing and shipping.

However, the fact that both Amazon and eBay primarily have a B2C business model stays, but another online retailer called Alibaba does not.

Alibaba has a different business model than all the previously mentioned sites. Alibaba is not a direct competitor to those businesses and/or platforms since it is not on the same level of the supply chain as them. Alibaba is a wholesaler, meaning they sell products in bulk to businesses and/or individual which then sell those products on Amazon, Shopify, WooCommerce or other similar platforms. Alibaba is a B2B businesses which focuses on bulk sales. They managed to digitalize the relationship between suppliers and sellers, and essentially drastically expand the reach of suppliers. Thanks to Alibaba, every supplier from China, can be reached by any business in the world, which has internet access. This has caused a lot of good and bad with regards to economies other than China. China managed to drastically increase their exports, while other countries now have less of a need to manufacture the products which are being sold on their territory.

While mainly focused on B2B, the same company also has a B2C website called AliExpress. AliExpress practically the same as Alibaba, with the same seller, but there products can be sold individually. Therefore this is direct competition to Amazon as well as shopping malls and retail stores in China.

### 3.2 Online Retail

Online retail and traditional brick and mortar retail are quite similar. The same may be done with online retail as when a customer visits a physical store to look around, peruse things, and transport them home in a shopping bag. To be sure they are ordering the correct size, customers may check color variants, read descriptions, and even refer to a thorough sizing chart. Even many major retail establishments provide both in-person and online purchasing choices. Electronic transactions are a part of e-commerce as well, although marketing is just one of many non-physical services that are included. It frequently takes the shape of online marketplaces that provide other retailers a place to offer their goods to customers in exchange for a charge, which is typically a commission.

While typical physical stores have their own benefits, moving at least a part of a retail business has its benefits as well. The first large benefit is reduced overhead costs. It is much more economical to store inventory in a warehouse and send it



directly to customers, rather than having a physical store location, paying monthly rent, running costs and wages. Having an online store cuts this part of the costs and increases profit for the business. Although this is a great money saving tactic, some stores such as Walmart have gone all in, in both physical and online stores.

Focusing on its own assets and finding the best ways to use them is one of the things Walmart has done exceptionally well. Take its network of stores. Analysts have claimed that shops are dead for many years, yet Walmart's online pickup services would not have fared as well during the epidemic if it hadn't started trying grocery pickup back in 2013.

Walmart's online sales revenues increased by 79% in 2020 and by 1% in 2021 as a result of the previous year's significant rise. With 13% of their sales now coming from online channels, Walmart is currently the second-largest online retailer in the United States. Walmart is catching up to Amazon in online sales, although still being far behind. (Richter, 2019)

### 3.3 The future of Retail

The retail industry is evolving more quickly than ever before. Many members of the younger generation are digital consumers who have grown up using touchscreens and talking to Amazon's Alexa. Due to the weekly food orders that are delivered right to the home, something as ordinary as doing grocery shopping at the store has evolved into a memorable affair. Consumer definitions of shopping will change as technology becomes more pervasive.

Retail will be saved by AR/VR. Retailers may take charge of the upheaval of the sector by embracing these technologies. Infinite aisles, virtual storefronts, tailored promos, and next-day and same-day delivery are just a few of the ways that AR/VR will make shopping more enjoyable, personalized, and effective. It will also provide conventional merchants new ways to forge close bonds with customers. Virtual reality in retail will function using virtual reality goggles, like other VR applications. Wearing a headset allows customers to enter a three-dimensional virtual environment where they can interact with brands in ways that aren't feasible in the real world. (XR Today, 2022)

For example, in VR, a digital human may guide the client through an immersive storytelling experience outlining the journey of the company. Additionally, they could imagine and use a product before purchasing it. This was especially true for bulky

consumer products like furniture or appliances. Before doing it in person, a consumer might assemble a piece of furniture in virtual reality.

However, the issue of VR content distribution is one that brands must take into account. One solution is to install a VR-capable kiosk at actual retail locations. This would enable customers to sample things in VR before making a choice, increasing both the likelihood of purchases and the value of the items being purchased. For a few headsets, VR apps could also be released in the app store. Although this might seem difficult at first, these changes might prove to be extremely beneficial in the long term. VR provides merchants with significant advancements already. Just a 1% increase in the adoption of AR/VR in retail may lead to extra sales possibilities worth \$66 billion, according to Accenture's Business Futures 2021 research.

Moreover, retail might undergo a dramatic transformation in the future thanks to the Metaverse, a unified spatial internet platform being developed by businesses like Facebook, Microsoft, and Epic Games. Individuals and/or businesses could create freestanding VR storefronts inside the Metaverse where customers could place orders for the appropriate items from nearby physical retailers. (XR Today, 2022)

As consumers from all around the world may investigate companies and their products without any geographical restrictions, the metaverse may potentially create new markets.

For instance, the 3D visualization start-up Matterport recently unveiled a retail virtual reality platform that employs digital twins to link businesses with potential clients. Walmart has also stated plans to invest in virtual reality for retail, suggesting that it may organize fitness courses in AR/VR and provide consumers with NFTs in the future. These just provide a preview of what is to come. (XR Today, 2022)

#### 4. Digital Disruption of Equity Markets

One of the most innovative and disruptive technologies in history, the Internet brought about a significant paradigm change. The way people listen to music, watch movies, purchase and sell goods, and interact has all been significantly impacted. Additionally, it has had a tremendously positive effect on investment, particularly for retail investors.

The development of the internet and other digital technologies have impacted everything from the day to day life of any individual to investment procedures and tactics of large corporations. Digitalization has introduced completely new ways of

trading the equity markets. Furthermore it completely disrupted the way equity markets themselves behave and respond to certain outside factors. The speed of response has been minimized and the stakes have been increased by a lot. This all thanks to digital and virtual brokers and trading unions.

The greatest advantage that the Internet has brought to investing may be the vast availability of information. Before the Internet, the local library was the greatest place for a retail investor to read financial books and do research on firms and assets like stocks, bonds, and mutual funds.

Nowadays, any investor can see a company report from the Securities and Exchange Commission (SEC) website online as soon as it is uploaded thanks to the Internet. Large financial papers may be quickly downloaded, and they can be searched for specific financial statements, themes, or keywords. The same filings, as well as annual reports and other presentations delivered to investors at industry conferences, are also accessible on companies' internet investor relations pages. (Furham, 2022)

Manipulation has never been more apparent and present, and scams and money laundering have never been easier to conduct. Social media has allowed influential individuals to alter the markets for their own benefit, and has in turn completely removed the edge technical knowledge used to bring for the experts. Nowadays experts and institutions can be beaten by regular individuals, and that is all thanks to a disruptive innovation called online trading.

#### 4.1 Introduction of Online Trading

When it comes to trading itself, the reduction of expenses for investors is the major advantage the Internet has created the investing world. The fee rates that individual investors pay to trade securities have fallen dramatically in particular. Nowadays, finding an internet broker who would charge approximately \$10 to trade popular stocks is rather normal. Before bargain brokers were widely available, full-service brokers could exploit market domination and charge what now seem to be enormous fee rates. (Ciocca, Biancotti, 2021)

Furthermore, the speed of trades is another large benefit. Electronic networks that may transmit trade information over the Internet have enhanced trading itself. High-frequency traders (HFT) are frequently the focus of controversy and are accused with causing above-average stock market volatility. The difference in price between

purchasing and selling a security (the bid price and the ask price) has been reduced, in part because to these traders.

Additionally, really high market transparency has also been something which the internet has introduced. Thanks to digitalization, every trader can know everything they need to know about a certain company or a certain market in order to trade in the best way possible. Before the internet, it would be very hard to come by the exact and all information one should need to properly decide how to trade a stock. (Cioca, Biancotti, 2021)

In general, the Internet has greatly increased the power of the person, which has had a significant impact on how the investor accesses financial information. Although this at first seems as a good thing, it also has its downfalls like the increased ability for the people to manipulate the markets.

#### 4.2 Market Manipulation

As younger generations begin saving and investing, social media will only have a more significant impact on the financial markets. Both possibilities and threats exist in this. On-line conversation and information exchange can increase market efficiency and openness. Social media platforms, on the other hand, are well known for being tools for spreading false information and influencing public opinion. They might be turned as weapons by bad actors trying to undermine market integrity and financial stability, such as state-sponsored organizations or organized criminal gangs.

Since a few years ago, nonprofessional trading has increased, in part because of innovative, affordable, user-friendly fintech applications. The top seven trading apps that are not affiliated with traditional investing companies had a 126 percent increase in U.S. downloads between 2015 and 2019, according to market research company Apptopia. Mobility limitations brought on by the corona virus pandemic in 2020 and 2021 led to increased interest in financial applications, both in terms of new users and the amount of daily time each user spent using the apps. <sup>4</sup> One of the most well-known platforms, Robinhood, said that it had 18 million funded accounts in its June 2021 IPO filing. (Ciocca, Biancotti, 2021)

Overall, the phenomena is still in its early stages in terms of dollars. Despite the large number of participants, their investments are small. However, when ordinary traders act collectively and focus on smaller equities, they may make a significant difference. These organizations have the capacity to establish and act quickly and

cheaply thanks to social media. This is exactly what happened in 2021 with the stock of a popular gaming retail company Gamestop.

Stocks of the video game retailer GameStop Corp. rose to an all-time high of \$483 on January 28, 2021. They had been trading at \$20 two weeks prior. They were down once more two weeks later, and as a result congressional hearing was taking place in Washington at the time. Exactly what happened can be seen in the graph of the Gamestop stock below:

Figure 10: GameStop Corp. Stock price



Source: <https://www.theverge.com/2021/2/4/22266684/gamestop-stock-gme-down-dip-falling-wallstreetbets-reddit>

Reddit's wallstreetbets group has become a vital space for individual traders to discuss investments and plan strategies. A small number of powerful users who were bullish about GameStop's prospects played a key role in generating interest in the stock and directing the initial surge in early 2021. The “wallstreetbets” Reddit page had almost 2 million users before of the GameStop episode. It has topped 10 million by July 2021. Despite the fact that numerous individuals incurred significant financial losses, the bullish conversations and wild trading persisted. (Ciocca, Biancotti, 2021)

These communities built on the internet regarding online trading have completely different goals in mind, when compared for example to traditional institutional investors. These young rebels are more determined to make large amounts of profits in short periods of time in extremely risk ways. Some who manage to achieve this, then motivate and lead the ones who don't and the cycle repeats. A part of this

mindset originated from the cryptocurrency world, where similarly, a lot of investors are looking for quick profits rather than long term investing.

#### 4.3 The Introduction of Cryptocurrency Markets

A cryptocurrency is a type of digital or virtual currency that uses encryption to protect it against counterfeiting or duplicate spending. Blockchain technology, a distributed ledger enforced by a dispersed network of computers, is the foundation of many cryptocurrency decentralized networks. The fact that cryptocurrencies are often not issued by any central authority makes them potentially impervious to intervention from or manipulation by governments. (Batey, 2022)

There were numerous attempts at creating a decentralized virtual currency before but the first that actually caught traction was Bitcoin. A decentralized currency without the need for a central bank or any middlemen, Bitcoin was initially presented in 2008. It may be transmitted to and received from users via the peer-to-peer bitcoin network, where transactions are verified by nodes and stored on a blockchain.

Bitcoin's creator is still somewhat of a mystery. On October 31, 2008, "Satoshi Nakamoto" uploaded a paper to a cryptography email group with the title Bitcoin: A Peer-to-Peer Electronic Cash System. Nakamoto, however, has never disclosed any personal information about himself, and nobody has ever been able to prove his identity. Because of this, many people think the name is a fictitious name for one or many inventors. When Nakamoto mined the first block of the blockchain in 2009, after it had been made available as open-source software, Bitcoin was used for the first time. (Batey, 2022)

The first 50 Bitcoins were produced in this block, which is known as the Genesis Block. From that point on, additional early donors kept mining Bitcoin until 2010. The first known commercial bitcoin transaction was done at that time by programmer Laszlo Hanyecz, who paid 10,000 Bitcoins to buy two Papa John's pizzas. (Batey, 2022)

From there the cryptocurrency only continued to grow and a lot more cryptocurrencies started to be developed. Fast forward to today, there are thousands of currencies floating around, however most of them are useless and were created with the soul intent of scamming people out of their money.

#### 4.3.1. Disadvantages of Cryptocurrency

The thing which is at first seen as a big positive, the lack of regulation, turns out to be a very double-edged sword. The lack of regulation has allowed for numerous crypto scams known as “pump-and-dumps”. The creator of the coin would create the coin, advertise it as a huge investment opportunity and once the price rose dramatically, they would sell all their holdings and walk away with profits. The advancement of social media is something which helped facilitate this type of scam. Influential people on the internet are now being used to advertise those coins, and again, once their massive audiences buy the coin and drive up its price, the creators would sell and take their profits.

All around the world, there is a lot of excitement around crypto since it is presented as a quick money scheme. But one of the biggest issues with cryptocurrencies is their scalability. The use of digital currency is expanding, as is the total number of them. In contrast to other financial activities and processes, such as those of, instance, a payment giant like MasterCard or Visa, it is still not as high. Additionally, cryptocurrencies cannot compete with major companies like MasterCard and Visa in terms of transaction speed. The infrastructure of cryptocurrencies is what causes their scaling issues, and technology in this area still has a lot of potential to grow. (Boukhalifa, 2019)

Additionally, cryptocurrencies will be vulnerable to cybersecurity breaches since they are a digital technology and might end up in the hands of hackers. This has already been demonstrated by the several security breaches, costing investors hundreds of millions of dollars. The ongoing maintenance of security infrastructure will be necessary to mitigate this, but several players are already addressing it head-on and implementing advanced cybersecurity measures that go beyond those employed in the conventional banking industry. (Boukhalifa, 2019)

Lastly, money laundering has been incredibly simplified with the advancement of this new digital technology. Criminals have found ways to launder their money in ways almost impossible to detect thanks to crypto. Since all cryptocurrencies are decentralized, no one has access or knows who owns which wallet, which benefits criminals. Whether they use their wallets to hide their money or launder it, the fact of the matter still stays, and which is that crypto aided them in this task. All of this has further been simplified with NFTs, which have hit the market in the past couple of years. Once again, scams have been made even more simple to conduct and criminals

even harder to catch. Money laundering and scams with NFTs is similar to that with coins. Creators would create a collection, create demand and excitement, sell the collection, collect enormous amounts of cash and walk away, leaving the buyers with worthless peaces of art. Since all of those things are still extremely fresh and upcoming, there are no strict tax regulations instilled. As time goes on, these things will get resolved, but as with any new disruptive innovation, it takes time for the world to adjust to it. (Boukhalifa, 2019)

#### 4.3.2. Advantages and Innovations of Crypto

Not all is negative when it comes to this new technology. There is a lot of innovation that will stay even if some of today's most popular cryptocurrencies and NFT collections fail. The first is the system that allowed for the decentralization of digital currency - the blockchain. A virtual ledger without a central governing authority is a significant achievement regardless of which currency utilizes it. This directly put modern day banking at risk, little private banks to central banks of some of the largest countries in the world. A decentralized payment structure is something which will prove very beneficial in the future.

Furthermore, the NFT (non-fungible token) technology is a market driving innovation as well. For now, it might seem like NFTs are useless peaces of art, however if/when this technology gets transferred onto other, for some more important and concrete subjects, the real significance of the technology will be revealed. It might allow upcoming artists to break free off record labels in revolutionary way. For example if an artist releases their own NFT collection, with the utility of each NFT earning of the artist's lifetime record sales. This way the early adopters/fans will be able to earn money of their favourite artist, as well as fund the beginning phases of their careers. Furthermore, University and high school diplomas might be given in a form of NFTs later on, as then nobody will be able to falsify their documents, since NFT are non-fungible. There are endless possibilities with this new breakthrough technology and innovation, and only time will tell how far humans take it.

## 5. Case Study - Gymshark

To determine how these advancements in digital technologies impact an actual business, the UK fitness-wear company Gymshark will be examined. Weather or not



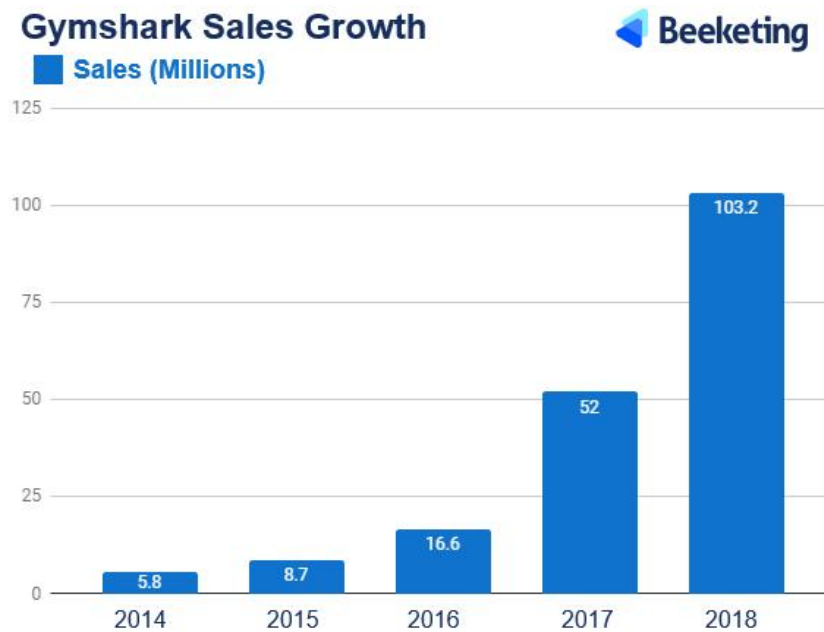
these advancements help present day start-ups, and how the business models of start-ups and mature firms shifted, shall all be answered in the following case study.

Gymshark, which is now a \$1,3 billion dollar brand, started off as a supplement firm before branching out into apparel. As the funds were scarce at the time, the two founders did not have enough to hold inventory. In order to overcome this hurdle, they employed a business model which is today called dropshipping. They never held any of the supplements they sold, rather they would sell other companies' supplements and add a little margin on top. Once they received a sale, they would order the product and send it straight to their customer, and therefore not spending any money upfront. These first profits allowed the team to start manufacturing their own products. (Francis, 2017)

After Ben Francis' grandmother showed him how to operate a sewing machine, Francis, his brother, and a group of friends began sewing and screen-printing the clothing, which at first consisted of gym vests and t-shirts. Francis claimed that initially, they only created clothing for their own use. They took pleasure in learning how to produce and complete the orders they had been given, and they set prices based on what seemed reasonable. (Francis, 2017)

At the time, social media was still in the early stages, and what is now called influencer marketing, did not exist. As fans of influencers in that time, the Gymshark crew sent out their products to influencers and started marketing their brand in that way, essentially creating a new, disruptive marketing tactic - influencer marketing. By doing so, the brand exposure increased dramatically and the profits rose. Once again, they took a leap of faith and invested everything into a new product line, which were tracksuits. With those tracksuits, they went to a local fitness expo, and tried to sell them to other important people in the fitness industry, needless to say, they managed to do it. The sales skyrocketed and the business started growing exponentially. Over the next couple of years, Gymshark launched their women's line of clothing, which took a while to gain traction, but is now a significant part of their business. Gymshark continued growing exponentially as the UK's fastest growing business, and all this on the back of their brilliant, intuitive and disruptive marketing strategies. To see just how quickly Ben Francis and his team managed to scale the business, a graph of their sales is shown below: (Francis, 2017)

Figure 11: Gymshark sales growth



Source: <https://beeketing.com/blog/gymshark-growth-story/>

Comparing the 2014 sales to sales in 2018, a significant increase can be detected. Specifically, sales grew by almost 20x.

### 5.1 Gymshark's Disruptive Marketing

As mentioned earlier Gymshark managed to blow up their brand as a result of their innovative marketing tactics. Very early on, Gymshark made the decision to invest in relationships and community-building rather than big-budget social media advertising. Francis focused on his favorite YouTube influencers, including Lex Fitness, and came to the conclusion that Gymshark's target market is the channel's viewers. The company later sponsored their top fitness influencers on social media to promote Gymshark to followers naturally by sending them apparel samples. Influencer marketing has become a mainstay of e-commerce, and Gymshark was able to jump on board early. Gymshark began to collaborate with new fitness stars including Nikki Blacketter and Whitney Simmons as the company's awareness soared. Both turned as ambassadors of their new women's line. Apart from large

influencers, Gymshark recognized that the key is to attract smaller, upcoming influencers who will get big along with the brand. (Francis, 2017)

By partnering with influential people, big and small, the brand managed to garner the attention of the exact type of customers they wanted to attract. The secret to this type of marketing is finding influencers who resonate with the brand perfectly, since the people most likely to follow them, are than the people most likely to like the brand. This gave them a huge edge in building their community and consequentially, a loyal customer base. They deliberately sought out opportunities to interact with customers at expos and meet-ups that included brand ambassadors and fitness influencers. In 2016, the company's Gymshark World Tour took it throughout the globe. They captured the entire thing on their YouTube channel, ever expanding their community. The word "community" is used frequently in Gymshark's advertising. For instance, the company makes customers feel like a part of their family as soon as they join their email list or make a purchase. (Francis, 2017)

Additionally, Gymshark has employed omnipresence in the truest meaning of the word - they are everywhere. Every main stream social media platform is utilized by the company. From Instagram, Facebook, TikTok, Snapchat and even Spotify they push their content on all possible channels. Not only that, but they have created a network of influencers who generate content for them. Be it a full review of their newest products or just being mentioned in a video, they are getting publicity left, right and centre, and that is why they are where they are. Every platform is incredibly saturated with their or the content of their athletes, and regardless of the creator of a specific piece of content, their products are getting marketed. By doing this, they have created a strong brand identity and have managed to embed themselves deep into the fitness community, where now it is essentially necessary for some people to wear Gymshark's clothing in order to express who they are. Gymshark has resonated with their audience to the core, and is now reaping the rewards of their ingenuity. (Cook, 2019)

As it has been shown by the study, the company at hand managed to utilize, adapt and capitalize on the huge shifts that were and are still going on in the world of digitalization. The advancements in these technologies allowed this specific brand to expand their market share, and build a huge customer base. Before these advancements, a company like this, with such tremendous growth, would simply not be possible. Gymshark has perfectly shown how any brand can use these new

technologies to create their own niche and dominate in it, and all that with a lot less hassle than in the past.

## 6. Conclusions

Digitalization has brought numerous changes to the world, and the internet is one of the main factors driving this change. At first, the internet was purely an educational tool. As its development progressed and more people started adopting it, numerous other uses of it started to be apparent. It wasn't until the early 2000s when the internet became widely adopted, and it started being used as a business tool. Because of it, consumers today have access to large amounts of information, larger than ever before, making them more informed about their purchases. At first it might seem like a positive, however over-saturation is becoming a problem. Consumers are getting overwhelmed by the amount of information which is being thrown at them, resulting in lower ad conversion rates. However, the efficiency of ad campaigns as a whole has increased dramatically thanks to social media.

Social media has made the creation and growth of audiences and customer bases incredibly more simple, and more and more businesses are starting to utilize this added benefit. People are spending more time in front of their screens than ever before, and companies are taking advantage of it. Connecting with their ideal customers has been simplified and business to consumer interactions have been improved. Analytical tools like the Facebook ads manager have been revolutionary when it comes to ad campaign creation and analytics.

These types of tools allowed businesses to target their audiences with great precision. Furthermore, the tracking and analyzing of campaigns has been improved by a lot. Nowadays, novice marketers can perform like experts with the help of these tools. It has allowed smaller, less experienced businesses to become competitive.

Additionally, a new form of marketing was born - influencer marketing. Firms realized that utilizing people with already established communities and a following might be much more effective for their businesses than simple advertising. This type of marketing has proven to have much bigger returns which is why it is still expanding.

The capitalization of email and Google advertising has also altered the markets. The efficiency at which today's firms advertise is nothing like the past. The costs of email marketing are incomparable to any other type of marketing, and the returns are extremely large. Google, similarly to Facebook, has also created a marketing machine

which allows novices to perform like experts. This has become something which new e-commerce brands are based upon.

Shopify, WooCommerce and similar firms, made possible for regular individuals to create creative and competitive web stores. The time where only the big firms had a chance on the internet has passed. Nowadays everyone has a chance and can compete on the e-commerce market. E-commerce firms have covered the supply chain, meaning manufactures, suppliers, retailers and re-sellers can all be found on the internet. Some companies that made that happen are Amazon, Alibaba, Aliexpress, Ebay and others. Retail shopping has also partially or in some cases even fully transferred online, with Walmart being the leader. Technology such as VR, AI and AR are all being utilized more often, and are intended to create a superior shopping experience both online and offline.

Equity markets have been impacted by the internet as well. Online trading has dramatically lowered the cost of trading, and has therefore allowed more people to participate in the markets. The transparency of the markets caused by the internet has been a real market shifting change and is both a positive and a negative. However, more people is not always better. As a result of social media, market manipulation has increased dramatically, which has consequentially altered the way institutions play the game.

Manipulation and fraud is even more present in the cryptocurrency markets. NFTs, and crypto coins have both proven to be great and easy ways to launder money. Furthermore scams are on the rise, and it will take time for the market to adjust to these changes. However there are also positives with this new technology, which will be seen in the future.

Lastly, Gymshark has turned out to be one of the largest fitness related companies on the market, and it was exclusively built with new, revolutionary methods of both sales and marketing. Dropshipping allowed them to get access to their first funds used to scale, and influencer marketing allows their growth to continue.

As it was demonstrated in this paper, digitalization and the technology it brought with it has been a true disruption to the world of business. The advancements in digital technologies had a large and significant impact on both marketing and business practices. The extent of this impact is great and it will only get larger as time passes, and only time will tell where it takes the world to next.

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