

## The ISBM Business Marketing Web Consortium

### Web Insights

Vol. 1 No. 1

Executive Reports from the ISBM Business Marketing Web Consortium

1997

**What this paper covers:** The ISBM Business Marketing Web Consortium held its first meeting in February 1997 with twenty ISBM member company representatives responsible for commerce on the Internet's World Wide Web. They discussed critical electronic commerce issues and agreed to continue meeting in person and online to maintain the organization's unique perspective.

**Key management concepts:** Although the World Wide Web is fast becoming a workaday communication tool among business marketing companies, even firms with Web experience feel they are still experimenting with content, organization, and management standards. Although companies have achieved dramatic cost savings by substituting electronic for paper-based information distribution, they recognize that they've only just begun to exploit the technology's ability to revolutionize the delivery of value to customers.

The Internet's most popular feature, the World Wide Web, shows two faces to business marketers. There's the electronic communications tool seemingly tailor-made for the information-intensive relationships epitomizing value delivery for the business-to-business marketer. But on the dark side, there's the threat of a new medium uncontrollably rewriting the rules of customer contact, undercutting today's successful marketing programs, and playing havoc with distribution channel strategies.

No matter which face presents itself, the "power tool" the Web represents cannot be ignored, say business marketers. Customers now expect to find product news and specifications on the Web, and woe to suppliers who are not there.

**Experimental Spirit.** Business-to-business applications receive relatively little attention amid today's overheated Internet press coverage. To better serve its members, separate myths from realities, and provide a unique forum for business marketers, the ISBM staged the first meeting of its new Business Marketing Web Consortium on Feb. 25, 1997 in Dallas. Twenty ISBM member company communications executives, all with up-and-running Web sites, openly discussed problems and solutions, and agreed to continue meeting in person and on the Internet.

Consortium members recognized that they share similar attitudes about Web-based electronic commerce. Experimentation is a common theme: that now is the time to take risks and develop confidence in Web-based marketing before the medium becomes critical to marketing success and unforgiving of the inexperienced. For now at least, the thinking must be, "On the Web, if you never do it wrong, you're moving too slow," a high-tech company representative said.

But a try-it-and-see approach runs afoul of many companies' ingrained thinking: that managers must "do it right the first time," said Ralph A. Oliva, ISBM executive director. Senior executives who do not understand the Web and product managers reluctant to commit resources to it pose organizational barriers several members have had to finesse.

**Early Savings.** Consortium members typically first ventured to the Web with traditional business communications models, as if Web sites were simply electronic product brochures. Often, marketing was not a priority. Corporate communications departments built sites to reach inquiring investors, job seekers, and the general public. "Customers were not dying to download product information from us," an oil company's communications executive told the meeting. "But now we are looking at how we'll use the site to market to customers."

As marketing applications proliferated among major companies, the traditional one-way information distribution model drove business applications on the Web. Just as some companies save money distributing annual reports through their Web sites, so too have Web-based literature and inquiry fulfillment achieved dramatic cost reductions.

One high technology manufacturer's Web master saves \$2.3 million a year on product literature, he said, by urging inquirers to browse the company's extensive Web pages and register if they want to see only new information the next time they visit. Since the company installed its site, inbound telephone inquiries and support calls dropped 24 percent, compared to a 24 increase in phone traffic the year earlier.

Another company spends \$2 each processing Web leads, compared to \$35 for traditional inquiry handling. And customers using the Web appreciate the faster service, the company's communication manager said.

At another firm, a widely diversified chemical products manufacturer, the fulfillment paper and postage savings during the first eighteen days of its Web site paid for all Web site out-of-pocket development costs.

"Cost avoidance," one Consortium member said, "isn't sexy, but CFO's buy it."

**'Show Me the Money.'** Perhaps developing the Web into a separate and profitable distribution channel would truly excite the corporate brass and meet the newly popular and persistent demand about all things new: "Show me the money." But the consumer marketing approach, selling transaction by transaction on the Web, usually doesn't apply to business marketing. "If we can get new and better information about customers, and streamline the process of getting product information to our customers, 'show me the money' has to be viewed beyond dollars collected over the Web itself," Dr. Oliva said. "The business purchase cycle is long and complex. We have to look at

the Web's role moving people through the selling process."

Some business marketers do generate revenue from the Web, particularly from computer-savvy buyers comfortable in cyberspace. A much-talked about example: Cisco Systems' claim to have moved nearly \$5 million in computer networking gear each day—an annual volume of more than \$1 billion—via its Web site. Cisco expects its sales rate to hit \$2 billion a year—about a third of total sales—in Summer 1997.<sup>1</sup> But for most business marketers, linking eventual sales to Web contacts is tricky, just as it is with sales leads from other media.

A Consortium member well known for having built a high transaction volume system that circulates real-time information to a vast network of agents, claims one million consumer and business hits a day at its Web site. That's just a percentage point of the firm's overall business, yet it is promising strong growth, the company marketing vice president told the meeting.

**Budget Metrics.** One clue to management attitudes toward Web experimentation could be the way companies fund it. About half those at the meeting said that new monies supported their Web activity. Among the rest, Web site costs were carved from existing marketing communication budgets. For them it would seem that the Web is considered to be a direct substitute for other media.

None at the Consortium meeting claimed to have licked the accountability problem well enough to generate hard, traditional ROI estimates. Most acknowledged that they were working to apply "leading indicators" of performance, and concurred that "hits" do not mean very much as an indicator. Many were working to interpolate site visitor "page landings" and other online tracking statistics into audience reach estimates.

For example, one high-tech marketer with an extensive Web presence uses broad cyberspace averages to deduce that the 3 million hits its site receives monthly come from 300,000 people. Applying an aided-recall advertising research rule of thumb—that a quarter of readers exposed to a business publication remember seeing a specific ad in it—and its own ad program costs, the company figures its monthly Web presence generates exposure equal to \$120,000 in monthly advertising.

That reasoning measures the Web's impact only in terms of old media standards, Consortium members acknowledge. Just as business marketers will need to develop new, more powerful customer interaction with online technologies, they will also need new ways to measure the payoff.

What, a Consortium member wondered, was the dollar gain achieved when it brought its engineers and end users together at its Web site to collaborate on a new product design? The eventual product was a big success, with superior features that beat competitors to market thanks to the feedback. But, asked a company executive, "What ROI did the online design sessions earn?"

**Looking Ahead.** Where might the Internet and its easy-to-access World Wide Web take business marketers in years to come? Much discussion at the meeting focused on tools that nurture the data sustaining customer relationships.

*Extranets:* Business Marketing Web Consortium members expect that Web technologies will soon link their companies closely with suppliers and customers through so-called "extranets": private networks closed to the public. They will carry more than 80 percent of business-to-business commercial data by 2001, predicts research firm The Gartner Group.<sup>2</sup> Extranets promise to "increase the value delivery and customer loyalty on the Internet," as one member put it.

*Push technologies:* Early 1997 has featured extraordinary market interest in "Web casting" and "push" technologies which automatically pluck designated information from the vast but chaotic Internet and deliver it to individual subscribers. Audiences do not have the time, energy, or inclination to search on their own, push proponents argue. Business customers especially want to scan for new information efficiently when they visit corporate sites, Consortium members reason.

At one high-tech company where product specification Web pages attract design engineers, about 13 percent of visitors register their preferences so they will immediately see relevant new information on the next visit. Originally, the company mailed software keys to the encrypted service to subscribers to verify addresses and prevent competitive snooping. It is now relaxing those requirements, however.

Another Web casting concern: Will it turn a marketer into a "spammer" distributing "junk e-mail" in the eyes of some customers?

**Organizing for Success.** Among Consortium members, different management functions initiated their first Web sites. Corporate communications, finance, human resources, government affairs, or even the logistics and transportation departments have driven site development at different companies.

But as Web sites expand and attract greater customer involvement, the marketing function's influence grows and generally becomes dominant. That doesn't happen in every company, however. As one divisional communications manager told the meeting, he planned to create his own "guerilla Web site" separate from the official corporate Web presence dominated by the investor relations department. Once he proves the value of the Web as a marketing tool, he expects management to welcome more marketing participation in the corporate site.

*New relationships:* Companies quickly learn that launching and maintaining an up-to-date, appealing Web site calls for new patterns of teamwork within a company. Traditional marketing, information systems, marketing communication, corporate, and sales department relationships by themselves do not address the Web project's unique needs.

Firms often use cross-functional task forces to develop their Web program, and then put dedicated staff in place, often in the marketing communications department, to keep the Web site running. At one high-tech manufacturer, for instance, the development team included specialists such as marketing communications, communications research, legal, and information systems people handling technical and security issues. Then, with the program up and running, maintaining sites for each company division requires the attention of people in three roles: an "editor" responsible for the site overall; an "info master" responsible for a timely, quality response to inquiries; and a "Web master" who handles technical construction, ensuring that pages perform as they should.

Consortium members panned one approach to site development: leaving it in the hands of information systems staffers. One company had to completely dismantle the Web site its IS department designed, and start over. At another firm, the inadequate IS-designed company intranet convinced the marketing department to take charge of the Web, the firm's Web master reported.

The number of people performing the essential technical, content management, and response-handling roles varies among companies, depending on organization complexity and specific Web requirements. One consortium member, a major bank marketing a national Web-based transaction system, expects to have a 100-person team in place during 1997. A Fortune 100 manufacturer, meanwhile, is working with 25 people on its corporate Web site staff. Several major players, however, reported running their Web sites with a skeleton crew on a "spare time" basis. The consensus of their peers at the meeting was that those firms were headed toward an overload and underresponse condition—and quickly.

*Local autonomy:* How much control should a central authority hold over the Web pages of individual product groups and business units? The meeting consensus favored creating corporate graphic templates and "rules of the road," and leaving the details of Web page content to individual units. Company design rules free business units from technical issues, letting their communications people concentrate on content under the umbrella of common corporate graphics.

Dr. Oliva, who has benchmarked many sites, noted that "I haven't seen any company with such rigid guidelines as to give some corporate function autocratic control." Different business units might well have different Web needs. At one Consortium member, for instance, some product lines receive less Web team attention than others; Web-literate customers come first. Quipped the company's representative, "Plumbers aren't big Web users."

A related notion discussed at the meeting is that Web sites must be customer oriented rather than product oriented. A site organized by products alone, that ignores the various applications and market segments using products, is not tuned to the needs drawing visitors to the site in the first place.

Nor is the Web the only Internet tool for serving customers. One company communications manager explained that her firm regularly monitors chat rooms, mailing lists, and newsgroups on the Internet of interest to its customers, where the company might be mentioned. It even sponsors its own newsgroup so it can lead discussion about its products and services.

**Site Design and Maintenance.** Consortium member companies have followed similar design paths building their Web sites. Most started by digitizing existing documents then posting them for inquirers. As Web technology advances to include more graphic, audio, and video options, some add more sparkle to their sites. But unlike marketing to consumers—where eye- and ear-catching glamour is a significant competitive advantage—business marketers find that information value is much more important to their visitors than "glitz."

Graphics exact another price: slow downloads for busy business customers using standard phone lines. One member company mandates that its Web pages should download in twenty seconds or less at 14,400 baud.

Even with graphics kept simple, designing sites and specific content pages is often outsourced to specialists. Traditional advertising agencies might not be up to the task, however. A major manufacturer realized that its household-name agency wasn't Web savvy when a search could not locate a Web site for it. At another company, product groups designing pages must work through agencies certified by the central Web site team.

*Language:* Accessible throughout the world, the Web is truly a global medium raising its own questions about language even though English dominates the Internet. Web marketers must ask if their markets are comfortable with English. One high-tech company finds that just about everyone in its global market reads either English or Japanese, so it posts information in both languages.

Global marketers recommend adding local languages when needed, but be prepared for the consequences. One manufacturer found that no one on its lead management staff could read the inquiries posted to its French- and German-language Web pages.

*Inviting response:* Asking visitors to register at a site is a major question for business marketers. Prospects who do provide their names and addresses tend to be hotter sales leads with more immediate information needs than the average. "They are people who've already done their buying homework," said a communications manager from a large, diversified industrial products firm. And, another member pointed out, tracking registered visitors as they use the site reveals strengths and flaws in the site's design and content.

Another company, sensitive to the anonymity prized by many Internet users, only invites site registration when the visitor has a complex question. "We don't ask for a name if all they want is a dealer locator," the firm's representative said. Another suggested that the best approach is to ask for visitor information incrementally, as it's needed, rather than seeking a complete profile all at once.

The origins and traditions of the Internet influence the amount of information visitors think they should get for free, without paying or proffering information in return. They hope to "get" a lot before they "give." Marketers must figure out, absent any recognized formulas or rules of thumb, where the "get" and "give" curves shown in Exhibit 1 intersect.

*Site maintenance:* Maintaining a Web site is critical, but as press reports frequently complain, thousands of "zombie" sites litter cyberspace. Business buyers expect to find up-to-the-minute information on Web pages, Consortium members know this, pointing out that poor maintenance can severely damage a company's image. They cautioned their peers to avoid "mirroring" sites—locating page copies on another server, unless it's necessary for faster downloads (as might be needed overseas). Nor should companies allow other sites to post copies of one's Web pages. If forgotten, the copies are not updated. One member representative found that hyperlinks spread around his industry pointed to two different servers with different information, each purporting to be the company's main Web site, one up-to-date, the other neglected.

Also, meeting attendees reported, they do not rely exclusively on the Web to distribute information, even to Web site visitors. Their Web programs supplement but do not replace traditional communications activities. One firm said that it offers visitors the option of receiving the Web site's content on a CD-ROM. Others offer a fax-back option.

**Threats and Opportunities.** The Consortium meeting's open discussion also revealed that business marketers have at least as many questions as answers about Web commerce. Among the major additional concerns:

- Educating senior managers about the critical need for Web-based business marketing, and developing metrics to prove its value, such as

its impact on the selling cycle.

- Providing communication security, particularly on outside-the-firewall extranets.
- Building customer and prospect acceptance for what Harvard professors Jeffrey Rayport and John Sviokla call "the virtual value chain." 3
- Creating reliable authentication: Are users who they say they are?
- Making the Internet easy to use: Is searching a Web site easier than telephoning for information?
- Coordinating manufacturer and dealer Web activity.
- Determining how much information to place on public Web pages which competitors will monitor.
- Integrating the Web into the complete marketing mix of other communications tools such as EDI, e-mail, fax, and voice-mail.

**Future meetings.** "Get the right people together in a room. Ask a few questions. Great things will happen," said ISBM Executive Director Ralph A. Oliva, summing up the first meeting of the Business Marketing Web Consortium. Meeting attendees said they want to continue open discussion of business-to-business electronic commerce issues.

The current plan for the Business Marketing Web Consortium calls for two face-to-face meetings a year, regularly scheduled online chat sessions, and an electronic mailing list on the Internet that automatically distributes a member's question or reply to all other Consortium members.

Footnotes:

1Steve Lohr, "Business to Business on the Internet," The New York Times, 28 April 1997, late edition.

2Marc Ferranti, "Ties That Bind," Infoworld, 7 April 1997, 59.

3Jeffrey F. Rayport and John J. Sviokla, "Exploiting the Virtual Value Chain," Harvard Business Review, 73, No. 6 (Nov.-Dec. 1995): p. 75.