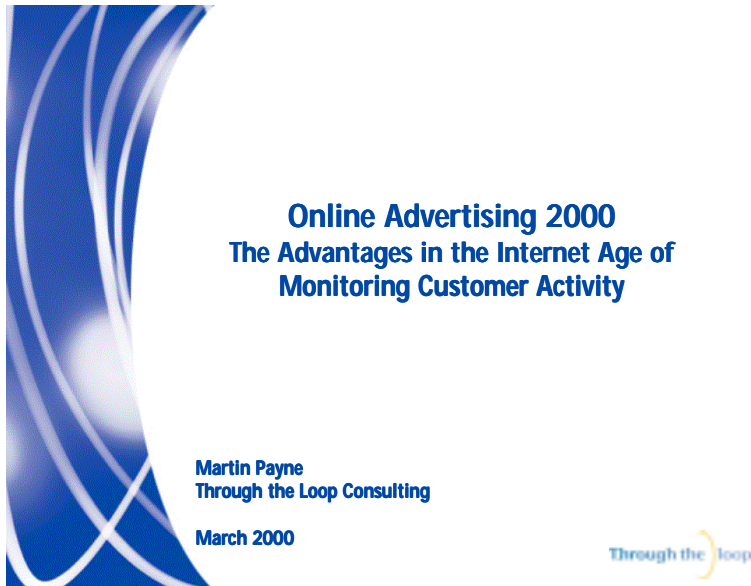


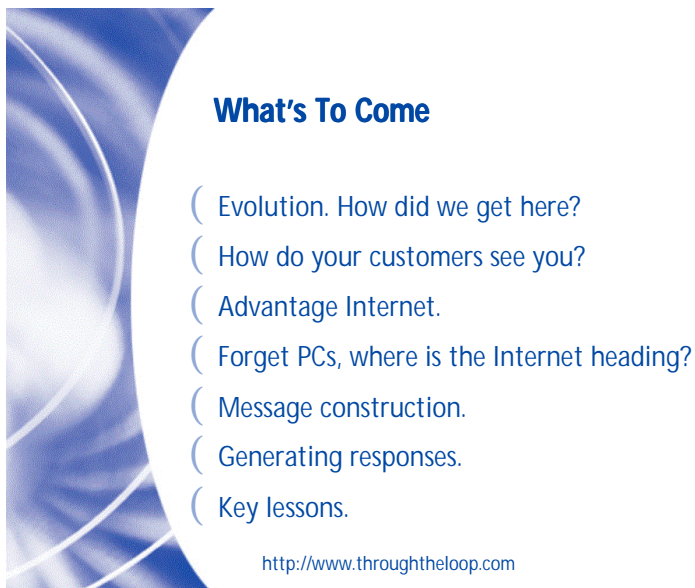
The Importance in the Internet Age of Monitoring Customer Activity.

Online Advertising 2000

Tuesday, 28 March 2000

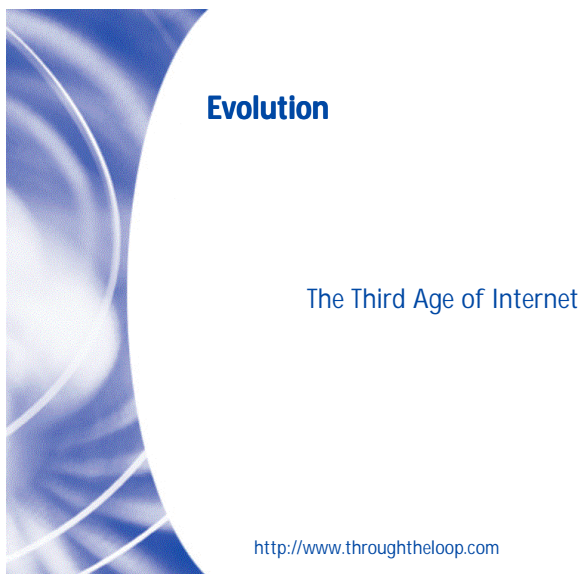


Good afternoon Ladies and Gentleman. It is my task this afternoon to return the whole point of why we are here, understanding how we develop superior products and services that attract consumers and their money.



I am going to cover a number of areas that will give you some food for thought about how you can develop your on-line presence around consumer satisfaction. Firstly, I will briefly cover the evolution of the Internet. Secondly I will look at the importance of viewing your communications from the consumers' perspective. Advantage Internet refers to using the medium and playing to its advantages. Next we will have to stop thinking about personal computers as the delivery channel for Internet-based communications and we will cover the relevance of some of the emerging Internet delivery methods. Message construction looks at how you can use consumer information and identification to deliver the most appropriate messages. Generating responses will look at how you encourage feedback. Finally, I will finish with a series of lessons for further development.

The important point about evolution is that we are entering what I will call the Third Age of Internet.



What exactly do I mean by this? The idea of a Third Age may seem remote when the Internet is frequently referred to as "New Media." However, remember that it celebrated its 30th birthday last year. I am defining the First Age as the time when the Internet was being developed for military and scientific use.



Evolution

The First Age

- (The Internet is developed by the military.
- (Usage spreads amongst scientific and academic community.

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At this time, the Internet was not considered to be a marketing medium as it was confined to a relatively small number of people.



Evolution

The Second Age


- (Development of Mosaic browser.
- (Usage spreads through businesses, home users, across countries.
- (Rise of on-line shopping.
- (Growth of proprietary services.
- (Mainly e-mail and Web.

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Things changed with the launch of the Mosaic browser and this marked the start of the Second Age. This is when most of us started to hear about and use the Internet although some would have been using proprietary on-line services such as CompuServe.

The Second Age was noted by a rapid dissemination of the technology from workplaces into the home. The users started off as “geeks” or younger males and often with above average incomes if they weren’t students. By the end

of the Second Age, the Internet's usage had become far more democratic with leader countries noting that the gender split had become more equal. Furthermore, there were moves towards universal access through no-subscription services and other access points. Above all, the Internet was moving fast towards becoming an effective marketing medium.



Evolution

The Third Age

- (Technology becomes transparent.
- (Internet is underlying communications infrastructure with multiple delivery devices.
- (The information you want when you want it and in the form you want.
- (Personal and portable.

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We are now moving into the Third Age of Internet. To be honest we should no longer be talking about the Internet but more about what we can do with it. We are on the verge of a major change in the way in which the Internet can be accessed and, therefore, used. The Internet itself should be viewed as a transparent technology, an underlying infrastructure, more like the National Grid, which can be used through a variety of input and delivery channels. This makes the Internet more accessible. You can access it when you want and where you want. Furthermore, it will be the information you want. In this Third Age of Internet, understanding the consumer will take on a much higher level of importance as the Internet becomes personal and portable.



How do your customers see you?

- (If the Web is so personal then why continue with the bland, "one size fits all" messages?
- (Make Web content relevant to the individual user to attract and retain customers, gain their trust, loyalty and their business.

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This means in effect that the messages and information that you send to your customers will have to be relevant to their needs and delivered to the right place and at the right time. This is a seismic shift away from the bland, mass market messages of the past. Information which is time-sensitive such as share prices will have to be delivered to where the user is so that decisions can be made at the right time. Making the Internet personal and portable will really play on its strengths and deliver significant benefits to users.



How do your customers see you?

- (What languages is your site available in?
- (Not just the site language:
 - Relevant prices and taxes
 - Relevant products for the country (and user)

"If you can provide a new user with personalised content quickly, it is a powerful statement of how you, as an organisation, can serve their needs and it builds trust from the first interaction."

Matt Price, Art Technology Group

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This all begins at the highest and most macro level. As the Internet moves away from being an American, "English" language phenomenon, multi-nationals will have to address this issue. Major growth areas for the Internet

will be in Europe. This relates not just to the lower level of penetration at present but also to the relatively higher levels of penetration for some of the newer access devices.

Customers should be presented with products that are available or can be made available in their country. These means that the prices quoted should be meaningful, i.e. in their own currency. The sites should also be available in the local language. These could either be country or language specific sites or areas within a main site. Forrester Research claims that Web users will spend twice as long on a site and are three times more likely to buy if addressed in their own language.

This addresses the customers' needs initially on a macro level and is the first stage towards building their trust. (Next slide)

The next level is to personalise the site for the user. This then ensures that the marketer begins to address *individual* needs.



A study by Fletcher Research looked at the benefits of addressing these individual needs. The first of these is so clear. Quite simply, it makes the site easier to use. However, the way in which users provide information for personalisation not only allows them to have a more appropriate experience on the site but also enables the marketer to learn about them and adjust the offer accordingly. Overall, the effect of personalisation is to build a more relevant and more user-focused Web site that translates into a higher level of user satisfaction.

How do your customers see you?



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Wal-Mart is a company that has built personalisation into its Web offering. The company's US transactional site ties in with the stores through its use of a "greeter" to meet the customer by name at the entrance. When purchases have been made, the site becomes customised to prioritise product types where the customer has expressed an interest. In the USA, the Wal-Mart site is seen as a leading example of how a Web presence can be integrated with traditional stores.

How do your customers see you?

- (Significant advantages for the most nimble of companies.
 - Importance of tracking online users.
- (Relevance refers not just to type of information provided but also the style and timing of its delivery.

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Marketers that address the issue of consumer needs are likely to have a significant benefit compared with those who do not. This comes back to the

very essence of marketing. It is about tracking consumers and responding to their needs.



Advantage Internet

- (Forget everything you know about marketing.
- (We have been living a lie:
 - Has marketing always been about identifying consumers needs?
 - Appeal to lowest common denominator.
 - Mass messages through mass media.

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In order to take advantage of the ability to address consumers as individuals, it is first necessary to forget what we have been taught about marketing. Until now, mass marketing has not been about addressing consumer needs. The tools available such as television and magazine advertising are excellent at reaching thousands or millions of consumers with their “one size fits all message” but they are not able to recognise that consumers are individuals. As such, they have to appeal to the lowest possible denominator in order to have a level of acceptance.



Advantage Internet

- (On-line communications offers possibility to genuinely address consumer needs:
 - Recognition of consumers as individuals.
 - Tracking of purchases and communications usage on an individual level.
 - Development of offers that are unique.
 - A *genuine* relationship.

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However, the use of on-line communications and the technologies that lie behind them offer the opportunity to change this. Whether consumers are browsing a Web site or shopping on-line, the ability exists to track their movements and the things they look at. This means that marketers are able to communicate with their consumers on an individual level and deliver content or special offers that are appropriate and individual to that user.



Advantage Internet

- (Web site as living entity.
- (Ongoing development.
- (Responsive to individual users.
- (Instant feedback for company (and consumer).

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As part of this, it is important that the Web site is viewed as a living entity. Another view of this is that it is permanently under construction although without the “Under construction” banners so beloved of early sites. The site is able to change to reflect individuals’ usage, providing instant and ongoing feedback for both the marketer and the consumer.



Advantage Internet

- (Development of an ongoing analysis of the consumer feeds into continuous site development.
- (Ability to target consumers leads to increased efficiency.
 - Reach specific target audiences and avoid wastage.
 - Learn more about consumers.
 - Build a one-to-one relationship.

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This site development results from the tracking of consumer usage. It allows the marketer to address individual consumers and avoids the wastage associated with and accepted by mass marketing. Furthermore, it enables the marketer to conduct ongoing consumer research with real-time response and relate to consumers on a one-to-one basis.



Advantage Internet

“Only those companies that are spending effectively on understanding consumer behaviour realise how important personalisation will be in the long term.”

Dan Drucker, Hyperion

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The ability to respond to consumer behaviour, both on the macro and the individual level, will be one of the most effective ways in which a marketer can take advantage of the new tools available.



Advantage Internet

- (The issue of consumer advocacy.
 - The ability to share information very quickly.
 - Ease of spreading anti-PR.
 - "Hate" sites.
 - Orchestrate consumer movements.

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I will briefly refer to another area here and that is consumer advocacy. While the Internet represents an extremely efficient communications medium for marketers, it is also a highly efficient consumer communications channel. It allows the rapid dissemination of views and opinions on all subjects. Consumers have become more aware of the company behind the brand and are increasingly making purchasing decisions based on issues such as a company's ethical credentials or country of origin. E-mail, Usenet messages and so-called "hate sites" make the global dissemination of anti-company propaganda very easy to implement.



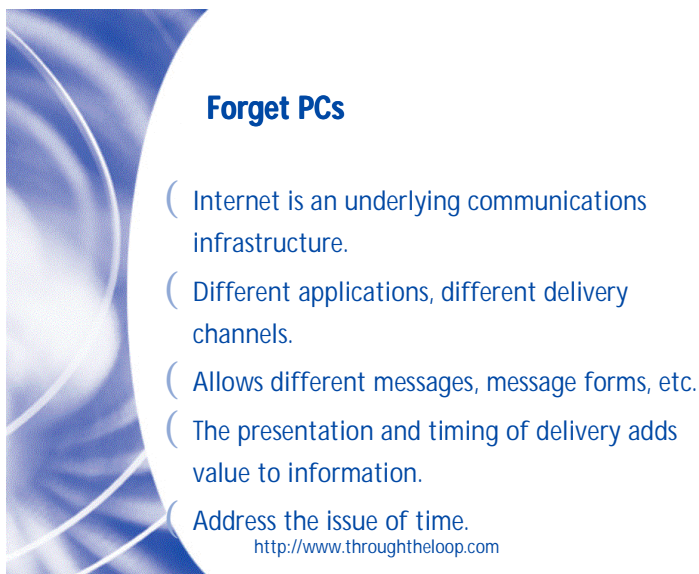
Advantage Internet

- (Necessary to monitor consumer activity related to your brand, not just traffic through your Web site:
 - What are people saying about your brands on their Web site?
 - What messages are posted to newsgroups?
 - Where are the brand ambassadors?
 - The new "word of mouth."

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This means that part of the consumer monitoring process should include what is being said about the company, not just in the press but also in newsgroups and on Web sites.

This can work both ways and this monitoring can also reveal who are the new brand ambassadors. The new “word of mouth” can generate positive or negative messages about a company and this provides new opportunities. For example, how should a company work with a newsgroup, perhaps using it to provide technical support. How are affiliate programmes best used to develop brand ambassadors?



Forget PCs

- (Internet is an underlying communications infrastructure.
- (Different applications, different delivery channels.
- (Allows different messages, message forms, etc.
- (The presentation and timing of delivery adds value to information.
- (Address the issue of time.

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I have already mentioned that the Internet will become transparent, an underlying communications infrastructure. As part of the Third Age, there will be multiple delivery devices that use this channel. These devices will be used in different ways, to send and receive different sorts of messages.

The value of information transmitted over the Internet will vary according to its timing and relevance.

Forget PCs



A multitude of delivery devices

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The PC will remain an important delivery device but will be used for different types of messages than the digital TV, the handheld PC, mobile phone or fridge. For example, the fridge may communicate directly with a retailer to order grocery items when they are missing or nearly empty. It could also compile a listing of items approaching their use-by date and transfer this either to the retailer for replenishment or perhaps to the car so you remember to pick them up on the way home from work. The fridge may also be a more relevant delivery channel for messages about food and cooking. The mobile phone or wristwatch will be more important for time-sensitive information such as breaking news, share prices or announcements about traffic congestion.

Message construction

(Ensure that consumers spend time on your Web site and make return visits.

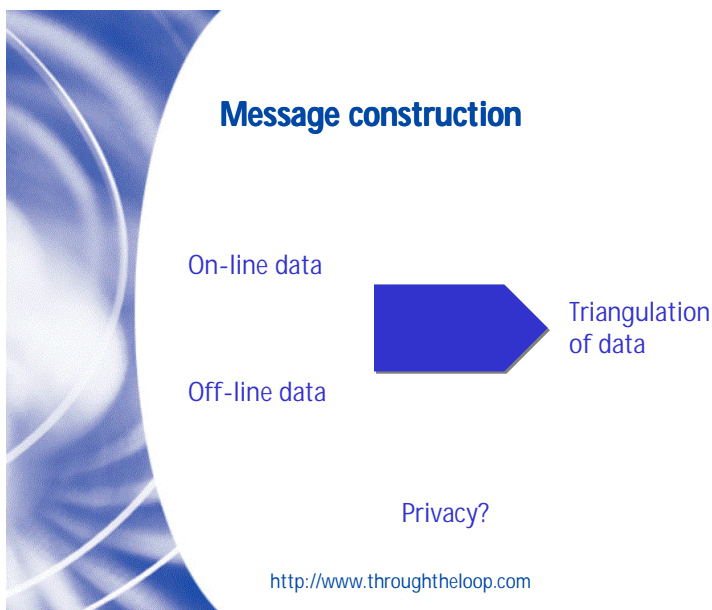
- Change content regularly.
- Let consumers know what is happening.
- Make content relevant.
- Understand consumers.
 - Who are they?
 - Where do they come from?
 - What is their route through the site?

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All of this consumer monitoring leads to the next stage, how the Web site or individual message should be constructed. There should be an incentive to return. How often have we seen a What's New section that is out-of-date?

The incentive could be the knowledge that content is regularly updated or personal recommendations will always be different. In addition, other communications can be used to alert consumers to new content. This could be customised e-mail messages to the PC or mobile phone.

The repeat visits can be tracked so that regular users can be identified. Furthermore, consumer data from different sites may be aggregated to build up a more detailed picture of individuals and, hence, provide a more personal and relevant service.



However, data need not and should not just come from on-line sources. Off-line data such as sales and loyalty card information can also add an important dimension. This is known as the triangulation of data and enables a more detailed picture of the individual to be constructed. This is, however, in its early stages of development.

What about personal privacy? With all this data around, this is an area that will have to be addressed. Consumers may be prepared to provide data in return for access to content or special offers but it should not be abused.

Consumers should always be able to protect their privacy. Every subscription should have an unsubscribe option and data should not be passed around between marketers without the consumer's permission.



Heineken is using the Web to build its database to lead to targeted e-mail campaigns. An innovative feature called BarTrek (<http://www.heineken.com/bartrek>) enables consumers to find bars serving Heineken beers such as Heineken, Amstel and Murphy's by entering a postcode or locality. Consumers equipped with global positioning technology can be directed to the nearest bars, others can obtain information about promotional events and lifestyle features. Heineken is using direct response TV in 30 countries to promote the feature and is aiming for ½ million visits. It is hoped that a large proportion of Heineken's target audience will register with their personal details.



Message construction

- (Link between Web site and “loyalty” card data.
- (How do you recognise your customers when they visit the Web site?
- (Can you reflect in-store activity?
 - Deliver appropriate banners, content and special offers?
 - Recognise that consumers may not shop exclusively on-line or off-line.

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One area that is currently under-developed is the linking of Web personalisation to off-line data such as that gained through so-called loyalty schemes. Sainsbury's and Tesco, for example, enable users to check their points balance but are not yet targeting offers and Web site messages to individual users. On-line shopping gives the marketer the potential to personalise and generate higher sales through relevant offers. With the growth of on-line shopping, this is the area where a marketer can really use the medium to its advantage.



Message construction

- (Association: match visitors with others who have similar buying habits.
- (Anonymous data: develop users profiles through following site usage.
- (Registration: user-entered data used for profiling.
- (Compensation: Free gift in exchange for data.

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There are a number of ways in which marketers can gather data and use it to develop personalised messages. Retailers such as amazon.com and Cdnw link use an association model to link purchases to other users purchases to

identify possible areas of interest. This also allows the retailer to notify consumers of new releases in which they may be interested.

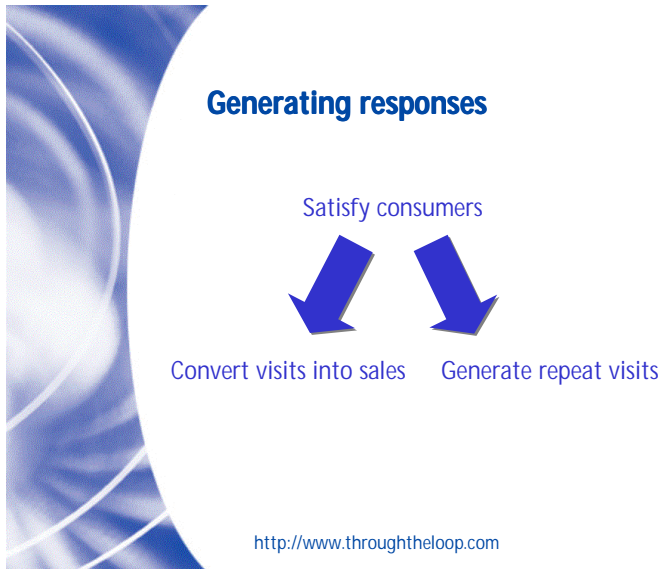
Anonymous data watches how users find their way through a site and the pages that they view in order to develop profiles. This is typically used across sites.

Many sites allow access through registration. This is a compulsory registration that must be undertaken to allow access to the site or there may be an incentive such as a competition. Examples are ft.com and the Economist. This data can then be used to help promote the site such as to potential advertisers and sponsors. However, this is user-entered data and, even if it is supplied correctly, there may be a danger of double counting. I am sure that there are many others like myself who have registered with a site many times simply because you cannot remember all your different user names and passwords!

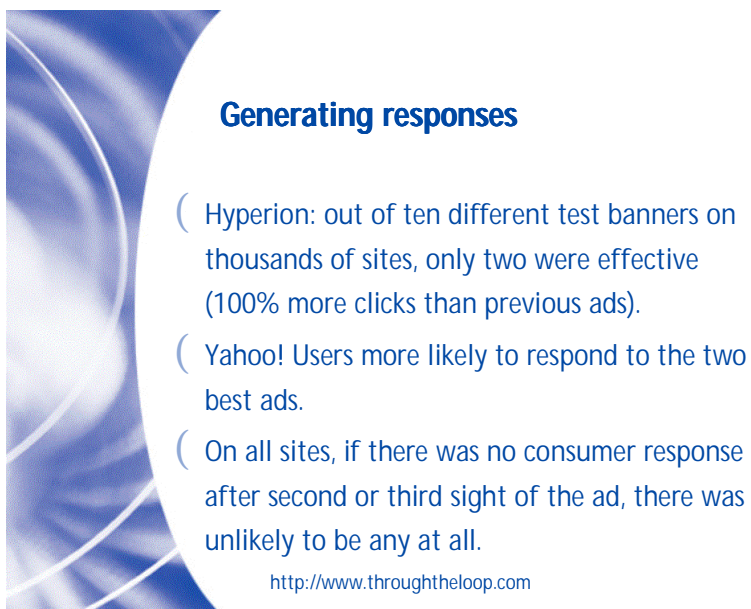
Some marketers may offer a free gift in return for data. This could be a free PC or even free Internet access.



amazon.com now has a personalised opening screen that is able to reflect the past purchases made by users. This uses the association method to develop the customised page.



The genuine consumer focus has two principal objectives. Converting visits into sales through the more appropriate offer and generating repeat visits.



One of the more common ways to elicit a consumer response is through the placement of banner ads. Unlike traditional media forms, the unique real time nature of the Internet means that the tracking of consumer response can feed into banner selection and placement. This then enables the most effective banners in terms of creativity and placement to be used and ineffective ones discarded.

Hyperion research suggests that consumers are more likely to respond with two or three views.



Generating responses

- (Click-through versus exposure?
 - Banner exposure responsible for 96% of brand enhancement.
 - Click-through responsible for only 4%. (IAB)
- (The issue of banner wear-out.
 - Banner effectiveness reduces with exposure.

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However, the exposure of a banner is a marketing communications message in itself and will help to increase awareness. Bear in mind that a consumer may be looking for specific information on-line and is not a passive viewer. Therefore, there is an importance in generating brand awareness so that the banner will be clicked on later or the Web site sought out.

As with traditional media there is an issue of wear-out. When does the banner simply become wallpaper and cease to have an effect. Naturally this will vary with individual consumers and so this will have to be measured so that banners can be changed after a certain number of exposures or different types of marketing communications used to reach those who exhibit early wear-out or who are "ad avoiders."



Generating responses

- (The ability to share (anonymous) data across sites uses the advantage of the Internet to provide a more relevant and effective experience for the user.
- (Transfer areas of interest across sites.

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It is also important to realise that data can be shared through ad serving systems. This enables more detailed profiles of individual consumers to be constructed. Indications of consumer response can be identified at an earlier stage if they are using multiple sites within a network. Consumers' areas of interest can be identified more easily and appropriate marketing communications delivered.



Key lessons

- (The advantages in the Internet age of monitoring customer activity:



Crucial to the development of Internet-based communications

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What are the key lessons that can be learned from monitoring and understanding consumer behavior? Quite simply, this is essential to the development of Internet-based communications as it enables marketers to exploit the advantages offered by this channel.



Key lessons

Personal and portable

- (Play to the Internet's advantages.
- (Allow the consumer to be in control.
- (Identify how consumers make use of different channels.
 - Message.
 - Timing.

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The issue of personal and portable is one that will become increasingly important as applications and information services are launched that take the Internet beyond the PC into mobile communications and other areas such as the Smart Home.

This genuinely allows the consumer to take control through the delivery of appropriate messages at the right time.




Key lessons

- (Understand consumers as individuals.
- (Use the power of the Web and the ability to track consumers in real time.
- (Enable continuous update.

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Monitoring consumers' behavior enables marketers to treat them as individuals. This means the end of the bland messages of mass marketing.

Furthermore, marketers should be able to respond to consumers in real time, either through adapting the Web site to that consumer's behavior or responding to their personal requests.



Key lessons

- (How will you collect consumer data?
 - What will you provide in return?
- (How will you use the data?
 - For communications development?
 - Off-line?
- (How do you keep the data current?
 - Encourage updating of information.

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The next stage is to develop your own communications. There are a number of questions that you should ask yourself.

How will you collect the data? For example, will you monitor consumer behavior and purchasing or will you ask for registration data?

How do you intend to use the data? Will it feed into communications development? How will you combine it with off-line data?

How will you keep the data current? Any information has a time element and so it has to be updated continually.



Through the Loop Consulting
155 Lichfield Court
Sheen Road
Richmond
Surrey TW9 1AZ
<http://www.throughtheloop.com>
info@throughtheloop.com
020 8334 6300 (tel)
020 8334 1447 (fax)



I would like to thank you all for your time. It is now up to you to develop your on-line communications. Just remember that the closer you get to your audience, the more effective your marketing will be.