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## Media Coverage

**1to1**  
magazine

### Internet 2.0

*The next level of the ultimate customer-based tool*

It wasn't too long ago that companies hoping to amplify their customer dialogue by using the Internet had it easy. They'd open the door to vendors, listen to their lofty promises ("We'll give you the equivalent of sneaking a product with an embedded camera into somebody's house"), and sign up for boatloads of tools and services. From there, they'd collect mountains of data and use it to forge intense bonds with customers. The problem? Little of this mattered to those customers. Additionally, as is their wont, those customers started to demand more: more self-service options, more attentive service and more personalization. And so, following a recession that saw drastic reductions in spending on technology solutions, companies are trying to catch what might be considered the second wave of the Internet as a customer management tool.

"Customers have evolved, and we've done our best to evolve with them," says Hewlett-Packard Co. Vice President of Internet and Marketing Services Stephanie Acker-Moy. The issue is no longer whether the Internet will make companies big and small rethink their customer-focused efforts, but the extent to which it will revolutionize their interaction with customers. Many products are pouring onto the market every month, and venture capital firms continue to line up to bankroll others. Analysts who cover the space, in fact, lament returning phone calls when pressed for comment. Why? Because a sizable percentage of their waking moments are spent listening to would-be gurus evangelize about the products they're about to bring to market.

There's direct messaging, positioned by the few suppliers offering it as an unobstructed pipeline to customers' eyes (and, of course, wallets). There are ever-more sophisticated analytics tools, which only a few short years ago revealed little beyond how a user reached a given Web site. There's really simple syndication (RSS), thought by its boosters to be one of the few effective ways to bypass inbox and Web clutter. And, for the most progressive companies in the field, there's the promise of the semantic Web, which could open the search floodgates within four or five years.

This marks an enormous shift from the first Internet wave, during which companies approached the task from a tactical perspective rather than a strategic one. They worried more about the 1,000 e-mails they received per week than a grand, overarching strategy; they focused on collecting data, often at the expense of the customer experience. "The initial wave was about deflecting live interactions—'just don't call us,'" says Forrester Research Vice President and Research Director John Ragsdale. "Now, you're seeing companies giving better service on the

Web as a competitive differentiator."

Clearly companies are making more of an effort than before to understand why people are contacting them, to understand the root causes. "Give customers all the credit," adds Chris Gardner, vice president of marketing at customer self-service and e-billing firm edocs. "They knew before we did that they wanted to pay bills online and so much else. I'd like to say we were geniuses, but we let customers lead us around by the nose."

Of course, marketers aren't empowering customers out of the goodness of their own hearts. According to Gartner Research, the average business-to-consumer company can save \$26 million per year simply by delivering bills electronically and convincing as many of its customers as possible to seek help on a Web site before picking up the phone. The stakes for failing to accommodate the service demands of customers remain high.

Forrester Research has reported that 70 percent of customers who don't receive a prompt response from a company will immediately seek out the competition.

What this means: The days of viewing customer service as a nuisance rather than as an opportunity are long gone. "I don't think people ever said 'I don't have anything to do. Let's go wandering around the Internet.' They come because they want something specific, and they want it without the hassle," says About.com CEO Peter Horan. "Companies that don't respond will find themselves in trouble, if they aren't already."

### **Web Tools Surge**

Of the technologies that marketers seem to be examining most closely, direct messaging via personalized banner ads offers potentially great returns, especially in terms of customer retention. The idea: Keep customers informed about offers, events and just about anything else without clogging e-mail boxes. Users opt in to the service at a marketer's Web site; when they visit Web publishers who have partnered with the direct-messaging company, the publisher recognizes the user and delivers a customized banner from the marketer. The messages are browser-based—nothing is downloaded, surreptitiously or otherwise, onto the user's computer—and vendors of the technology promise that they don't track Web movements.

"[Direct messaging] allows you to create a pipeline between the marketer and consumers who want to communicate with that marketer," says John Federman, president and CEO of Dotomi, an Israeli vendor that is set to launch in the U.S. with clients like Orbitz and Audio Book Club. Though Federman claims that Dotomi isn't "just looking for a click— we're looking to help marketers demonstrate the right level of respect and create the framework for an ongoing relationship," he claims.

Given their ability to track users' movements to, from and within a given Web site, analytics tools continue to surge in popularity, especially among Web retailers. The reason for this is relatively obvious: If customers can't find what they're looking for, they'll leave and likely never come back. Additionally, the information companies can glean from even a handful of Web site visits can prove to be invaluable in better customizing a future shopping experience. When a woman goes into a store, maybe she'll browse through a few departments and try on a pair of shoes before buying a scarf; the seller doesn't learn anything beyond what was purchased. Using the increasingly sophisticated analytics tools offered by Coremetrics, SAS and others, companies hawking their wares on the Web can trace that woman's steps, maybe hitting her with a marketing pitch during a future sale on the shoes in which she previously expressed interest.

RSS—"really simple syndication" or "really simple script," depending on who you ask—has emerged as an option for many marketers over the last six months as well. Its boosters compare it favorably to e-mail newsletters for several reasons. The feeds steer clear of e-mail blockers and filters. They are non-intrusive and don't require users to click into an e-mail application and then the message itself in order to access information. And so far, companies offering RSS feeds haven't required subscribers to provide data about themselves. The problem is that, well, few

people have heard of it. "How many of us actually have a RSS reader?" asks EmailLabs Vice President of Marketing Loren McDonald. "If this is going to go anywhere, it needs the equivalent of a Netscape of RSS, an application that brings it to the masses." Help might be on the way: Microsoft is reportedly preparing to include an RSS reader in its next Outlook upgrade.

Similarly under the radar of most marketers is the semantic Web, which adds meta-data to online information that makes it readable by machines. In English, what that means is that the day when one can enter natural-language phrases into search engines ("Where can I find a barbershop in my area that specializes in my type of cut and has an open appointment later than 5 p.m. tomorrow?") and get an immediate, accurate response may not be that far away. To be sure, there are drawbacks. Inforte Vice President and Client Executive Darius Vaskelis wonders what incentive major brands have to participate in the semantic Web: "If I'm Ford Motor Company, why would I expose my brand in an environment where I can't control how it's experienced?" Others point to Ask Jeeves, which encouraged natural-language searches but moved away from that model when it couldn't deliver results, as a cautionary example that the semantic Web may ultimately work better in theory than in practice.

### **Frustrations Mount**

Despite these promising technologies, there remain myriad frustrations for companies using the Web to intensify their CRM. Many continue to wrestle with the transition from the first wave of customer-relationship tools. During the halcyon days of the late 1990s, companies eager to augment customer interaction invested in a wide range of products. Now, as they try to unify and integrate all that they've accumulated, many have thrown up their arms in exasperation. "If someone's gone through the effort to deploy solutions, it's difficult to gut all that and bring them together, mainly because you have so many different components that have been stitched together," says iPhrase Technologies Senior Vice President of Marketing Tony Frazier. Ragsdale puts it more succinctly: "It's hard to mesh separate products from separate vendors into a cohesive experience."

Fueled by alarmist reports about spyware and other tracking devices, privacy continues to be a top-of-mind concern among consumers. As opposed to the early days of online privacy hysteria, however, they seem less concerned with how marketers with whom they have a relationship use data about them than with the possibility that this data will be shared with outsiders. "I don't think anybody is concerned about Lands' End collecting information about what they did at Lands' End," notes Joe Davis, president and CEO of Coremetrics. "What they don't like is the jumping across sites. They don't think the government should know what they were doing."

As much as companies seem willing to cede control over the online experience to consumers, they remain wary of unintended consequences. A concern noted by several marketers is that search engines often plop a consumer on an obscure page within a company's site. In essence, they're coming in through a side window rather than the front door, thus robbing the marketer of whatever little control it has over site navigation. Which isn't to say that they've totally given up the reins. Frost & Sullivan analyst Daniel Longfield shakes his head at the arrogance of Web giants like eBay and Amazon, who make it "intentionally difficult" to reach any kind of non-Internet contact. "I guess they feel like since they survived the crash and prospered, customers couldn't possibly have a reason to call them for anything," he cracks.

Finally, while certain companies have made great strides in automating interactive chat on their sites, even its biggest boosters concede that it may have fallen short of expectations so far. The reason for this is simple: Customers understand chat better than other customer-service mechanisms. A window comes up, they write back. Simple enough, right? Wrong. Gartner Research Director Esteban Kolsky notes that it usually takes longer to close a chat interaction than a phone call, owing to several of the same delays that call centers have faced for years (difficulty in locating information, etc.).

"Right now, chat is kind of like marriage. You have all these expectations, but you really don't know what you're going to get," he says. "You expect a home-cooked meal every night, and you

wind up eating out. I hate to blame only the vendors, but they're not doing a good job with expectations."

### Expect Some Wrangling

So are companies seeing results from the new wave of CRM tools and programs? Though horror stories are few and far between—thanks, perhaps, to smartly tight-lipped PR pros in vendor headquarters—most marketers seem somewhere between enthusiastic and euphoric with the results they've enjoyed. In a survey conducted during the first quarter of 2003, T-Mobile was ranked fifth among six U.S. cell phone service providers. Hoping to reverse the trend, the company turned to [ResponseTek](#) and integrated the firm's experience management software as part of a "Service First" initiative. The software helped T-Mobile identify service deficiencies, and it can now act on them in real time. In a recent survey, T-Mobile vaulted over three of its competitors into second place.

Catalog retailer Fingerhut, on the other hand, spent much of 2003 wondering why its [www.fingerhut.com](#) generated fewer sales than might have been expected. After bringing in analytics expert Coremetrics for analysis of its on-site search capabilities, the company learned that a whopping 55 percent of searches were returning no results. After fixing the failed search terms, Fingerhut saw a 10-percent jump in revenue from searches and a 26-percent jump in conversion rates.

Then there's cable behemoth Comcast, which tapped Conversagent for its "Ask Comcast" interactive agent support site. Users needing guidance can type in natural-language questions and receive immediate and nearly always to-the-point, responses. Asking "How do I get a new e-mail account?" elicits a three-step answer that even a computer dullard could follow. The site also does its best to respond to semi-mangled queries. "How do i gt nu e-mail acct?" generates "I'm not sure exactly how to answer that" but also a list of five possible topics, one of which ("configuring your e-mail program") is directly on point. Conversagent claims that "Ask Comcast" paid for itself in savings within three weeks of launch.

In the months ahead, expect companies to continue to wrangle with the problem of merging data gathered on the Web with information collected offline. Channel consolidation for customer help should continue, while transactional self-service (consumers activating or shutting off features like caller ID) will eventually become the standard rather than the exception.

One thing's for certain: There's no going back. "I think you'll see companies take personalization and analytics one step further," Ragsdale predicts. "You know how Amazon looks at past purchases to determine what you might like? People will use the same technologies to anticipate the questions you might ask. It's going to happen faster than anybody expects."

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