

THERE ARE NO CUSTOMERS → ONLY PROSPECTS!
Step 3 = Balancing and Blending the Off-Line and On-Line Experience

In a nutshell: If you're not spending more for on-line advertising, more for e-mail campaigns, and more for existing Web site re-works in 2004, that's ok ... because YOUR COMPETITION IS. And at present rates, 44% of your current customers will be their customers in 2005.

Background: The Internet has caused a dramatic flattening of the relationship / loyalty curve. We used to believe that the longer you were with a particular supplier – the higher your loyalty to that supplier's goods and services. However, in 2003, 42% of the consumers surveyed, said that they have "no preference" on where they shop, which is a doubling over the 2002 figure. To add insult to injury, consumer on-line spending was \$2.7 billion last week, an increase of 85% over the same week in 2003.

What causes this behavior? Consumers are identifying more with immediate, perceived value and less with past supplier experiences. Products are being viewed as being very much the same.

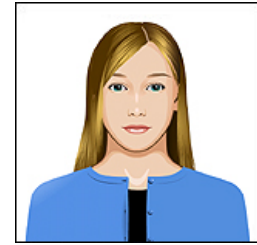
The sales environment clearly has extended to the Web site, and you must:

- **"A" = Awareness** – raise people's awareness of products and services through conversation.
- **"B" = Balance** – Because Abby has the ability to listen as well as speak, this creates for better information delivery, or balance.
- **"B" = Behavior** – A conversation from Abby can quickly change people's response and behavior.
- **"Y" = Yield** – Since Abby is digital and scalable, she creates higher yields at lower costs.

These elements are called **'ABBY'** – and we will discuss the **"Balancing and Blending"** elements going forward.

The **WHY'S** for your organization enhancing its Web experience are simple:

- A good Web site can be your most cost-effective marketing tool. The Internet is not limited by geographic boundaries or "business hours," and can work at your visitors' convenience.
- 78% of those surveyed expect online marketing spending to increase from 1% to 5% of the overall marketing budget this year to 11% to 20% in 2004.



- 37% of companies plan on spending more than 20% of their marketing budgets on digital marketing in 2004
- With the increased use of TiVo (and it's ability to block TV ads) combined with the erosion of "television watching" by viewers aged 18 to 34 (falling more than 7% from 2002), this is putting more emphasis on other advertising vehicles.
- Your competition is putting its advertising dollars into e-mail campaigns and Web site improvements (17% and 7% increases respectively). In a new report, Forrester Research projects that 75% of companies will maintain or increase their investments in e-commerce initiatives this year.

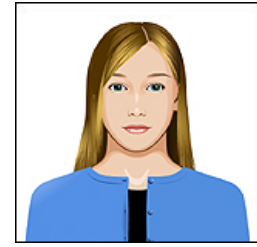
Where are advertisers spending their money? The overall largest increase came in for "rich media" advertising. The survey of 212 e-commerce decision-makers found that spending on customer e-commerce initiatives will grow by 4.8 % in 2004. The survey also found that spending on Web-based applications, and improving the user experience will be a key e-commerce goal.

To improve our existing Web site relationships, we need to begin to balance the "give / get" equation on most of our Web sites. Most of our Web sites give a lot of information, while "getting" very little. Most Web sites, for example, offer no ability to contact the visitor other than hoping that the visitor calls them. This is called using an incomplete delivery channel, and is a recipe for disaster.

The Internet has the ability to consummate the sale – so please stop treating it like a newspaper ad! In the 85 metro markets surveyed by The Media Audit, the percentage of adults who spend at least an hour a day on the Internet, is significantly greater than the percentage of adults who spend an hour a day with the print edition of a daily newspaper.

The highest ranking item for marketing budget increases for 2004 is Web site revamps. It garnered 31% of the vote. The Digital Marketing Dialog Survey found that new-customer lead generation is the top purpose of companies engaged in digital marketing. This motive, cited by 83% of respondents, outpaced both brand awareness and recognition (68%) and improved customer relationships (67%).

To build upon existing customer relationships, the easiest and most effective way of building and contacting a customer base, also turns out to be the most inexpensive – using e-mail with your in-house customer list. 49% of those surveyed said that e-mail blasts to rented lists were the worst form of communication. So, it's obvious that in-house list



growth, maintenance and campaigns will become the epicenter of email activities for 2004. In terms of e-mail improvements:

- 63% of respondents cite the "From" line as the most important factor motivating them to open emails. This "Sender Identification" is used as the key differentiator from spam.
- Although some consumers say that they worry about sharing personal information, 69% said they are willing to surrender personal information in exchange for rewards such as cash, convenience and bonus points.

To attract new Web site relationships, industry educators who have long fretted about the fact that the Web is not always taken seriously as a branding vehicle, will be happy to hear that this is no longer the case. 41% of brand marketers and 40% of site traffic marketers achieved GREAT results with rich media ads on Web sites. It is not uncommon for rich media ads to achieve more than 800% increases in traffic, and more than 300% increases in sales closing ratios. Rich media will become much more prevalent by Q3 '04, when 55% of all ads served on the major portals and top-50 sites will be rich media.

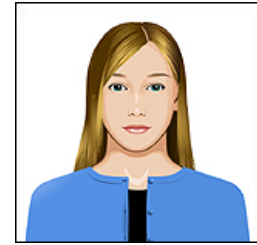
A survey of marketing and advertising executives shows that the overwhelming majority (63%) of marketers now see digital marketing as having a high or very high level of strategic importance within the organization. Moreover, more than three-quarters (78%) of respondents said they planned to increase their digital marketing budget in 2004. The broadband audience, which is rapidly becoming the target of choice for interactive advertisers, grew 27% to 49.5 million home Internet users between May and November 2003. That means that 38% of home Internet users are broadband-enabled.

Respondents stated that digital marketing programs are gaining traction because they are less costly, quicker and easier to implement, quantify and analyze than traditional marketing campaigns. Perhaps as a result, the top components of digital marketing are shifting towards e-mail marketing campaigns (80%), Web site interactions (73%), and e-newsletters and online advertising tied at 69%.

"People are just beginning to understand the powers of the Web, and how it all works together," says Drilling Down consultant Jim Novo. If you're not spending more for on-line advertising, more on e-mail campaigns, and more on existing Web site re-works in 2004, that's ok ... because YOUR COMPETITION WILL BE. And who knows, 44% of your present customer base could belong to your competitors in 2005.



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Because by now – we all know – There are NO more customers, ONLY prospects.

Thank you for listening.

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