

B2R = Back to Reality

by Cathy Kramer, President and Managing Partner

July 2001

After years of watching expensive and often misguided Internet initiatives buckle under the pressure of ROI, we know it's not good enough anymore to rely on technology for technology's sake. Experience has taught us that the companies who survive during economic down turns are those that successfully use new technologies as an extension of their core business values. As Joe M. Weller, chief executive of Nestle USA, said, "the Internet is about possibility, not technology." Today, that is more important than ever.

There was a time when the only remote touch point with a customer was the phone. The Internet, wireless technologies and broadband networks have changed all that. They have opened up a world of possibility. And although the Internet as we know it today may look completely different in the future, the benefits are here to stay. Companies that leverage new technologies to complement and not cannibalize traditional methods of doing business will come out on top.

Leverage the Internet

To do this, you must begin looking at the Internet differently—strategically assessing the advantages and disadvantages of using it as a tool for your business. As we all know, the power of the Web is inherent in its name. The millions of threads crisscrossing the globe create an efficient and relatively inexpensive way to deliver information. Global reach is instantly attainable. Information is delivered in real-time. Sales cycles are shortened. Sales forces are reduced. The Internet creates an environment for one-to-one communication and transactions that are instantaneous.

But, as Michael Porter notes in a recent Harvard Business Review article, "the great paradox of the Internet is that its very benefits—making information widely available; reducing the difficulty of purchasing, marketing and distribution; allowing buyers and sellers to find and transact business with one another more easily—also make it more difficult for companies to capture those benefits as profits."

The downside is that increased exposure leads to increased competition and customer expectation. Having a static online presence may get you noticed but won't necessarily get you customers. The reality is that you need to leverage the best of traditional marketing and Internet technologies to reach your goals.

If your business hinges on the ability to talk customers through a complex sale, then allow real-time interaction with live chat for your online customers. If you are known for having stellar customer service, then turn your web site into a self-service center and provide multiple channels for communication. As we've seen, the Internet is best when it's used as an extension of your business, not a replacement.

E-business as Usual

What we are just now realizing is that “e-business” may be a misnomer. Whether you're on the Web or not, e-business is still business and is fundamentally no different than traditional business. It's still about core business values, competitive advantage and a strong brand. To be successful, a business must be able to differentiate itself and define a unique value proposition. For example, Charles Schwab took a well-established brand and proven business model and created competitive differentiation by being the first to offer online services in their category. This Internet initiative was not a new business for Schwab but an extension of their core business values. Customers are able to talk directly to brokers, place orders, and increase their knowledge about the market by using the Internet instead of the phone.

By leveraging the power of new technologies, Charles Schwab was able to improve their value proposition by allowing the customer to manage their accounts online, make buying decision in real-time, and connect one-to-one with experts and even Charles Schwab himself. The Internet eliminated a layer of costs, and introduced another level of customer control and self-service, which enhances Charles Schwab's basic value proposition.

True to the Core

At the other end of the spectrum are "pure play" companies that built their business and value propositions on the Internet. Those that had a solid business strategy at the start and continue to capitalize on a market need have survived. eBay is a prime example of a company that neither maintains inventory nor pays the cost of shipping but has aggregated a huge number of buyers and sellers to exchange information about their products and services.

eBay achieves cost efficiencies by having users maintain the content and the transaction. By building on their core business values, racing to critical mass, investing in technology and remaining responsive to customer needs, eBay has remained the dominant competitor in the online auction field.

Take a look at another "pure play" company that is now adopting a more traditional business model streams. Amazon.com is joining the bricks and mortar world, creating warehouses and distribution centers in order to increase its margins and move towards profitability.

Although the strategy was employed successfully by reversal companies like Barnes and Noble, Amazon is leaving its core competencies behind. Operating these new potential profit centers requires different skills and expertise. Instead of building on a solid strategy and sticking to its core business values, Amazon is desperately searching for some middle ground. Whether the strategy will pay off is still unknown.

Back to Basics

The bottom line is: Don't be afraid of the Internet. On its own, it won't put you out of business. In fact, if you are smart about how you use technology, it can strengthen your brand, increase your revenue potential, reduce costs and help you create long-term relationships with your customers. By focusing on the basic principles your business was founded on and having a solid strategy for leveraging technology to enhance, not replace your business and marketing initiatives, your business will not only survive but also thrive.

As Mr. Weller said, “if e-business is going to work, it cannot be an add-on or an afterthought. It has to become part of every function.” That's because e-business is your business. The Internet should be an integral part of your company, not a spin-off or separate line item in your marketing plan. It's an enabling technology, not a department. It should be used to support your business and marketing goals and extend your capabilities.

Whether your business is B2B or B2C, it's time to put B2R into your vocabulary. Contact Folsom Point for more information on how you can bring your business back to reality.

Cathy Kramer is President of Folsom Point, Inc., a strategic consulting firm that helps businesses use technology to maximize their marketing budgets and extend their reach to customers. Contact her at ckramer@folsompoint.com.