

CLOSE TIES

Lessons from FedEx, Schwab, eBay, and others on the customer-driven Web economy



Focus on new connections to would-be customers, says Carter

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ARE YOU PLUGGED IN TO YOUR CUSTOMERS? The old days of companies tightly controlling a marketing message are gone, and there's probably more you should be doing to use the Internet to connect with consumers.

The interactive forces of the Internet—including social networking sites, online discussion boards, and blogs—are arming consumers with tools that can quickly and exponentially spread the word to other would-be customers if a product stinks or a company blunders.

But it's not enough for a company to just monitor its image on the Web. Companies such as Charles Schwab and OnStar are creating Internet plat-

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Fourth in a series of articles assessing the future of the Internet. For more, check out internetevolution.com, with its ThinkerNet blog of more than 65 contributors, including Internet activist and blogger Cory Doctorow, wireless expert Alan Reiter, Greentech Media CEO Scott Clavenna, and Boeing CIO John Hinshaw, as well as videos, Webinars, news, and more.

forms to literally read the minds of consumers, seeking out insights that directly drive their new product strategies. EBay uses analytic tools to measure customers' Web behavior with greater precision than ever, using the findings to decide which features can be measured in more shopping and higher sales, and which just add to information overload.

Think having a killer interactive Web site is enough? FedEx knows its Internet business must be much more than FedEx.com. It's looking for more ways to have its services available online right where a customer might want them—on an e-commerce site, inside an enterprise software app, in an Outlook e-mail box, or even in a Second Life virtual room.

"The model is changing," says FedEx CIO Rob Carter. "Services are showing up when they're needed."

There's plenty of peril in embracing this customer-driven Web economy. Companies that badger customers with online surveys or Web forum invites are sure to get tuned out, and many people won't even try to distinguish legit outreach e-mail from phishing spam.

Online forums can serve up valuable, candid customer insights, as Schwab has found, but they can also crater. Unica, a marketing management software company, spent months trying to build an audience around a blog for high-level marketing issues, only to decide its people's time would be spent at in-person events and other direct customer engagements. And everyone learned the lesson from Whole Foods CEO John Mackey's making anonymous blog comments running down competitors—right?

Finding your audience online

can be tricky, too. Even among online Americans, only about 44% use "social technologies" such as blogs and social networks, Forrester Research analyst Josh Bernoff estimates in a recent report. The people who join online forums tend toward strong opinions, so companies can't overreact to the extremes they're likely to see. But turning a deaf ear isn't wise, as the collective wisdom of the Web can certainly influence a would-be customer's opinion. Says Bernoff, "People are trusting what strangers have to say."

Ideas From FedEx's CIO

When FedEx CIO Rob Carter gets fired up, pay attention. And Carter's passionate that we're at a historic time of change for the Internet. Here are four ideas to chew on, drawn from our interview and a recent essay by Carter sent to FedEx employees:

1. Connections Carter says first-generation Web applications, and the whole idea of visiting a Web site, are "being replaced with a new generation that is about being able to connect and provide services and build communities." The explosive growth of this connectivity has been "completely underestimated" in how it will affect society and markets.

2. Business Networks Customers will expect businesses to whip up a service they want, even if it spans four, five, six companies—or groups inside a company. "It's almost easier to integrate businesses horizontally, across our connected world, than it is within your own company."

3. Second Life, For Real Expect more ties to real-world commerce, like shopping or making hotel reservations. "Second Life has enough momentum to make us wonder: What if this identity I've built could spill over into my daily life and get things done for me?"

4. Who Knows Carter doesn't dare predict exactly where this Internet evolution will lead, which is why he urges his colleagues to focus on how and where people are connecting online, and to build services around those activities. Whatever change comes "probably won't happen the way we expect it to, but it will be the unforeseen effect of these connections that makes it possible." —MARIANNE KOLBASUK MCGEE

HARNESS THE WEB

At financial services company Charles Schwab, online forums give product development teams insight into the demands of existing clients—and more recently, an entire generation of prospective clients.

The investment industry has focused mostly on baby boomers and retirees, Schwab VP Jonathan Craig says. People in their 30s and 40s have been tougher for the industry to court—they have 401(k) accounts from work, so they aren't looking for other retirement savings vehicles, and their big worries are near-term money crunches such as buying a home, paying down student loans, and saving for their children's college. Schwab set out this year to better understand this generation's financial concerns and saw the Web as the way to reach them.

Along with Communispace, which builds private online communities, Schwab created a Money and More Web site and invited 1,000 people in their 30s and 40s—none of them current Schwab customers—to participate in surveys and discussion groups. Four hundred accepted the invitation, spurred in part by in-

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centives from Communispace. Over five months, Schwab used the site to survey participants about their investment, savings, and other financial habits and attitudes. But the richest information came from the free-form online discussions. Even without Schwab's asking about debt, for instance, the conversation revealed people's worries and desire to eliminate debt. "We learned a lot by asking questions," Craig says, "but we learned more by watching them talk to one another."

Craig calls the conversations "an epiphany that drove a lot of our marketing." Among the new prod-



Dell's site at www.yoursihere.com takes some chances

ucts launched as a result is a checking account that earns 4% interest, offering free checks and no ATM fees. Since launching in April, Schwab has opened 60,000 new accounts, increasing its base of customers in their 30s and 40s by 40% this year compared with a year ago. Some of those are becoming brokerage clients for Schwab. "This is a gateway to investing" for some who were too overwhelmed or intimidated to open brokerage and other accounts, Craig says. The site is down now, but Schwab plans to launch a new Money and More site with more features.

There can be a seduction to the candor people express anonymously online, as if we're finally hearing the truth. But it might just as well be that people exaggerate their feelings for effect, warns Allen Weiss, a marketing professor at the University of Southern California business school and founder of the MarketingProfs Web site. "It's an age-old issue—be careful about who you're listening to," he says. "You don't want to build for one person."

TOO MUCH CUSTOMER INTIMACY?

At General Motors subsidiary OnStar, executives always worry that new services they offer might cross the line and make customers feel uneasy about how much

OnStar monitors or controls their vehicles. That was the question hanging over a new feature being considered: Stolen Vehicle Slowdown, which would let OnStar operators slow down a car that police believe is stolen.

To figure out if customers would object to it, OnStar tapped an online community it built with its most involved customers—those who signed up for a monthly remote evaluation report of their vehicles' performance. From this group, it build a panel of about 3,000 OnStar customers who participate in surveys about new products, with about 250 picked for each survey, which come every month or two to explore the level of interest or potential problems of new features.

Stolen Vehicle Slowdown posed particular concerns. OnStar already offers a service to locate stolen vehicles using GPS. But this service would let police, if they spotted that vehicle on the road, call OnStar to have it slowed down, thus avoiding a dangerous high-speed chase while still allowing the driver to steer. Executives worried customers might see OnStar as having "too much control over the vehicle," says Ian Wild, director of OnStar consumer insight.

Online surveys and customer comments convinced OnStar execs that customers would be satisfied with the service's safeguards, including checks to ensure that the right vehicle is being slowed. Announced last month, Stolen Vehicle Slowdown will be launched in 2009. But OnStar thinks it needs to expand its online community approach to be more interactive and next year plans to engage customers in more collaborative exchanges via an online community, akin to what Schwab is doing, says Wild.

OnStar also subscribes to Nielsen BuzzMetrics, a service that provides reports about a company's performance in "consumer-generated media," from blogs to message boards to online reviews. If people are talking about a particular OnStar-related issue on the Web, "our ears are open," says Wild, though it doesn't react to everything on the Web. Other services like BuzzMetrics have popped up to monitor the blogosphere's potential wrath, and some companies do their own monitoring through Google Alerts or via customized RSS feeds. FedEx's Carter says it offers transparency into what people are saying—good and bad, true and false—sooner than it might float back through other channels. It's the "power of dog hearing," Carter says.

FEDEX PLUGS IN

The Internet doesn't mean a customer destination like a Web site, says Carter—it means connections. For FedEx, that means finding more ways to integrate its offerings into what people are doing in work and life.

The tools for doing that are FedEx's software sets that let companies create applications that integrate FedEx

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shipping or printing services into their own Web-based offerings, without a trip to FedEx.com. EBay sellers, for example, can build FedEx shipping directly into their eBay pages. And it's built into business software so people can ship or track goods inside the application—and sometimes the same screen—they're working in.

The company is beta-testing services to let customers use Outlook e-mail applications to invoke FedEx shipping. Already, a capability in Adobe lets customers push an icon and have documents printed at one of its FedEx Kinko's copy shops.

Ideas like these start with observing what customers are doing, then figuring out how FedEx can use the Internet to offer its services there. Thus, it's only a matter of time before FedEx service shows up in virtual worlds like Second Life, says Carter. Avatars, the virtual characters representing real people in the 3-D animated world, will buy real products from virtual stores and have them shipped by FedEx, he says.

Yet embracing the customer-driven Internet economy this way means giving up some control to customers. For FedEx, that means giving customers more information and letting them figure out how to use it. FedEx labs are working on active radio frequency identification sensors that provide data on the temperature, lighting, or vibrations that packages endure—monitoring that might benefit companies shipping biomedical supplies, or those sending expensive merchandise such as jewelry. Or it might mean mass-market uses of "geo-fencing," which uses the company's geographic information system software to send notice if a shipment strays beyond the expected route. In the future, that technology might alert a customer that the FedEx truck is a mile away, so the consumer can be waiting at home or work. Those sound like

what-if perks today, but it might not be that far off before customers come to expect such services, says Carter.

Are CIOs the right people to push this customer-driven Web agenda at companies? Carter is doing so at FedEx, taking up the cause in a recent essay sent to FedEx employees. "The greatest opportunities lie in socially networking corporations together—horizontally, across business processes, which don't necessarily live within your four walls anymore," he wrote.

6 BILLION BLOG RESPONSES, AND COUNTING

At eBay, there's no need for the company to beg for responses from its community. If participants, especially the estimated 1 million-plus who make it a big part of their income, don't like a change, they let their voices be heard, posting more than 6 billion comments for one another on its online forum regarding their eBay transactions.

Behind the scenes, the company also uses analytic software to gain more precise quantitative information about whether a new idea will fly.

About two years ago, the company began testing new features on its eBay site with a sample of buyers before they're rolled out throughout the site. The company always has tracked and analyzed data, but about two years ago it began rolling out new features to 1% to 2% of customers visiting the site, as well as to people who ask to be included in such tests via the *www.ebay.com/playground* site, which invites users to try new bidding, buying, and searching capabilities. It now collects every click related to a feature being tested and measures that against "buyer engagement" metrics such as return visits, bids, and buying.

That means hits and misses. When the company

If A Blog Falls In The Forest ...

BEFORE YOU LAUNCH A blog effort, consider this: People might not listen.

Just ask Unica, vendor of enterprise marketing management software. About a year ago, the company launched a blog called the Marketers' Consortium, chock-full of ideas and steady updates, plus insights from marketing-guru guest writers. Initially, the blog was aimed at a select group of about 2,000 high-level marketing professionals but was later opened up for others to participate.

The blog got about 1,000 hits per month, leading the company to eventually decide it wasn't worth keeping the forum going, given the time and effort its people spent writing carefully crafted blog posts. Unica will instead refocus on direct contact with customers and users, such as its in-person forums and user events. "If you're going to make a trade-off on where you put your resources, for us it made better sense for us to spend an hour building relationships by talking to customers versus spending an hour blogging," says Carol

Wolicki, Unica's senior director of communications. Business-to-business online forums are probably more difficult than business-to-consumer social interactions, given the smaller audiences and time constraints of the top-tier decision-makers they aim for.

Unica hasn't written off blogs forever, Wolicki says. But if the company tries again, it will focus on one topic—such as Web analytics, which was one of the most popular subjects on Marketers' Consortium—rather than a broad subject matter. —MARIANNE KOLBASUK MCGEE

rolled out a “stemming” search feature that delivered the same listing for a two-word search such as “shower head” as it would for “showerhead,” it was an instant hit—including with sellers of shower heads, one of whom reported to eBay that he sold as many in three weeks as he had in the previous three months.

But some flop. Two years ago, eBay offered a search feature that returned results not just for the searched-for items, but for other goods the sellers featured on their storefront pages. It proved to be way too much information that slowed buyers down, and the feature got axed within weeks. It’s part of what led to eBay’s current practice of trying new features on a much smaller scale. One recent feature that’s looking like a winner is visual navigation, which lets buyers get enlarged views of certain products by rolling over them with a mouse, something particularly popular with items such as jewelry, where shoppers want a close-up.

Yet for all its online focus, eBay keeps in-person gatherings part of its customer connections. About 10 times a year it brings fewer than a hundred community members—people known for distinct and sharply held ideas—to meet with eBay senior execs. They then have follow-up e-mail threads to the so-called “Voices” meetings. And there’s even a call-in radio show, with the company’s first customer service rep. The options keep expanding for companies trying to keep up with customers, even as the old ones don’t necessarily go away.

Just this month, social networking site Facebook launched Facebook Pages, so members can give companies friend-like privileges to send them information. “We noticed people wanted to connect with their favorite music, restaurants, and brands,” Facebook ads product manager Leah Pearlman said in her blog introducing them, “but there was no good place for these types of affiliations to exist.” The idea is not only that you want to hear from certain companies, but you’ll want to share your shopping experiences with friends via Facebook—like telling them what movies you’ve got queued up on Blockbuster.com, Pearlman suggests.

This month, Dell launched a service, at www.yoursis here.com, that lets people send video clips of celebrities—Burt Reynolds, Vivica Fox, and Ice-T—by e-mail to friends and family, asking them to pitch in for part of a Dell computer instead of, as Burt says, buying you a pair of pants. People can put a widget connected to the program on a Facebook or MySpace page. Here’s the kicker: The messages are surrounded by Dell branding, but the money goes into a PayPal account, so people don’t have to spend it on a Dell.

IT execs have an opportunity to help their companies sort through the fast-changing options in this customer-driven economy. Forrester’s Bernoff offers a quick framework for sorting out the options. First, figure out what target audience you’re trying to reach through a new medium, and what you want to accomplish—information, ideas, sales? Next, determine how the strategy will change your relationship with customers. Only then is it worth weighing the technology choices for what you’re attempting to do.

Most CIOs probably believe they’ve done a lot to make their businesses more Internet-friendly, reaching their customers in new ways. Some may think they’re pretty much done. FedEx’s Carter counters that most companies’ e-commerce efforts have just “paved the cow path”—taken an existing model that happened in person and enabled the same process through a Web site. “You go to a place, you do business inside that place, and then you pay on the way out,” Carter said in his essay to colleagues. “I believe that this paradigm has begun to dissolve.”

What’s replaces it? A customer-driven Web economy that demands companies interact with customers in new ways, new places—and, more than ever, on the customers’ terms.

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