

## The Future of Online Marketing

The future of online marketing? Now that's a loaded question. A year ago, pundits were predicting quite a different landscape for the Internet than the one we've got now, post-dot com demise. Yet, there is a future, and perhaps an outlook infused with a little conservatism is not a bad thing.

There's no denying that the Internet as a marketing channel is now being taken more seriously, as proven by the increased attention it receives from traditional companies. Many such companies hung back while pure players tested the waters. Although many dot coms have now come and gone, the lessons learned from their successes and failures are hungrily being assimilated by traditional companies as they more aggressively move into the online arena.

In an effort to be pragmatic with our predictions for the future of online marketing, let's break things down into levels of reality: the almost certain; the greatest potential; and finally, some long-term ideas.

### The Reality

Of the online marketing currently taking place, here's what's likely to still have an impact in the year to come:

- ?? **Banners & Interstitials** - as despised and dissatisfying though they may seem, it's dubious that the banner and its cousin hybrids - buttons, "badges," the pop-up interstitials, and even the newly defined "skyscraper ads" -- will be going away anytime soon. In fact, the [Internet Advertising Bureau](#) has come out with new specifications to try to better standardize graphic advertisements.
- ?? **Pay-Per-Performance Campaigns** - whether based on sales alone (cost-per-action) or leads (cost-per-click), several experts predict that these types of ad campaigns will become more the norm. "Businesses will demand more targeted, measurable marketing models such as lead generation services for which they only pay for the leads they respond to," explains Lyn Chitow Oakes, CEO of Respond.com. Peter Zophy, VP of Ecommerce for men's clothier, JosABank.com contends that, "Even large portals will eventually have to agree to performance-based ad programs."
- ?? **Contextual Advertising** - "Content and commerce are going to move closer together," postures Lee Frederiksen, founder and CEO of The Frederiksen Group. Much like in print publications, contextual ads are positioned next to related content on a web site or in e-newsletters. It's their proximity to related content that makes them more credible to the

reader. Anne Holland, publisher of MarketingSherpa.com gives the example of Backwire.com as a service provider of this kind.

- ?? **Geo-Targeted Advertising** - Yes! Online geo-targeted ad campaigns are finally possible. Most of the major online ad networks are at least getting their feet wet by providing localized ad buying capabilities. Marie Alexander, president and CEO of Quova, a geolocation service provider, notes that a side benefit of geo-targeted advertising is that it provides regional legal compliance. This fact will be important as states start to implement Internet regulations of their own.
- ?? **Partnering & Co-Branding** - Strategic partnerships can help ration marketing dollars, increase visibility, cross market products and services, and identify hot prospects. Elaine Rubin, Chairman and Executive Director of Shop.org described a relationship whereby ebags.com has enlisted a travel agents association as a partner. The agents get paid a commission for referring new customers, and ebags now has a nationwide sales rep organization funneling them solid leads. Customers feel more comfortable, too, because they trust the source of the referral. Rubin calls this trend "smart customer acquisition."

Here's my unique idea for partnering and co-branding, based on what some television shows are now creatively doing to attract new viewers. David Kelley, producer of such hits as Ally McBeal, The Practice, Boston Public, and Gideon's Crossing, is now making a regular habit of having his characters appear in each others' shows, moving the plot along with them. It's a terrific hook because if you want to know what's going on with your favorite characters, you have to watch them on the other shows. Imagine applying this "continuity" concept to the Web, but instead of having to wait days to see what happens next, the user would just have to click on a link!

- ?? **Co-Registration** - When it comes to obtaining leads, new subscribers, or shared email addresses, co-registration is hot, hot, hot! Examples range from one-shot multiple newsletter registration sites like TipWorld.com to user-selected discount offers on sites like Priceline.com. The beauty of co-registration is that it's instant activation of a relationship with a new consumer.
- ?? **Email Marketing** - one of my most favorite topics and with some of the most interesting new developments in the online marketing arena (we'll touch on these a little later), the one we're probably going to continue to hear the most about. One area we can certainly expect heavy debate about is the issue of email regulation. Marketers are bracing themselves for widespread legislation that will make unwanted emailing as much of an offense as unwanted faxing now is.

Spam continues to be a cause of consumer ire, and legitimate marketers will need to distinguish themselves so as to be more readily welcomed in the

consumer's email boxes. "This year, online marketing will see the rise of *ethical campaigns and privacy first* policies," explains Scott Martin, founder & president of The Personalization Consortium.

I call that "respect marketing," and here's a good example. In Christmas 1999, I did some online shopping at Banana Republic.com. After the holiday season ended, I got an unsolicited email from them, but in it they said that if I did not respond, I wouldn't hear from them again...AND I DIDN'T! I was so duly impressed that I've grown more loyal to Banana Republic since that experience. Their honesty and steadfastness really won me over.

?? **Online Promotions** - contests, sweepstakes, and real-time instant win games will continue to attract, answer, and drive the "what's in it for me" mentality. Chuck Levy, Director of Marketing for REALTIME Media goes so far as to predict that sweepstakes aren't going to be enough anymore. "Instant winners don't have to contend with long odds and waiting until a contest is over to see if they've won."

Personally, what I like about online promotions is that they're great for attracting new users with the goal of building up your own in-house, permission-based email lists through which you can continue the dialog with you new or prospective customer at a later date. We find that this kind of systematic, cross-methodology marketing really works well.

?? **Measurable Results & ROIM** - Much like direct response marketing, the Internet is a marketing methodology that's highly accountable. This makes it very desirable to advertisers, and many experts feel that this accountability is going to be one of the driving forces in the year ahead. It's what's going to attract conventional advertisers to the Web in greater numbers.

Larry Cleary, President & COO of software company Inceptor says, "Welcome to the performance economy where marketers who know their daily conversion rate, conversion per campaign, online revenue per campaign and online revenue per conversion will thrive, while those who don't get it will die on the vine."

The beauty of online marketing is that it makes it very easy to do testing. "The ability to costlessly test, analyze and optimize in *real time* will transform marketing," declares Nick Hanauer founding partner of VC firm Second Avenue Partners.

One factor about testing that keeps marketers on their toes is the rate at which advertising changes. I've observed that when a new form of online advertising or promotion comes out, it's usually met with great response, more so out of user intrigue and its newness than anything else. Response rates typically start off strong then quickly decline, eventually reaching a plateau. Therefore, currently marketers must constantly be looking to reinvent the wheel to keep ad forms fresh and exciting.

?? ...**Clutter!** With the average consumer now being exposed to nearly 3,000 marketing messages a day, clutter continues to be the bane of all marketers, online and off-line alike. Proponents of relationship marketing say that their marketing tactics are what's going to make their messages stand out in a crowd, and I have to believe they have a point there.

## **Ideas with Potential**

Without a doubt, the reality of ecommerce is that it's facing customer service issues, as we've heard from end-users to retailers alike. Online customer service can be broken down into so many different components -- from aiding the customer through the purchasing process to managing expectations to addressing dissatisfied customers to retaining customers after the sale - that it's natural for retailers to feel overwhelmed by the whole subject. Not to mention the immensity of the data being collected and the rate at which it needs to be processed.

Electronic customer relations management (eCRM) affects the online marketer more than the traditional one since the Internet makes shopping elsewhere so much easier -- the balance between acquisition and retention is an even narrower tightrope. "Customer service will be the key to loyalty," asserts ePrize CEO Josh Linkner. "Consumers want to be served on their terms, not the advertiser's. The winners will be the companies that not only serve the customer's needs today, but who can anticipate and suggest solutions to the customer's future challenges."<

Anticipation and suggestion is all about getting to understand the customer on the individual level. This can be done with **real time personalization**, when, as the consumer interacts with a site, an analysis of their needs is also taking place. The end result is that the consumer receives the most relevant products or services at that moment in time. Companies like E.phiphany, IBM, and Applied Predictive Technologies offer these kinds of "**click stream data**" personalization and analysis services.

Of course, in order to have consumers buy into these and other kinds of personalization services, ultimately it's going to boil down to earning their trust. **Permission marketing and privacy issues** still hold center court here, as they do with email marketing. Best-selling author Hans Peter Brondmo writes that privacy "is good for business. A privacy orientation builds relationship capital...it forces your organization to focus its systems and procedures on the customer."

Part of this trust factor is not only what you will do with their data, but also that your customer can trust you to keep it safe. The rash of credit card security systems being hacked is a good example of how to lose a customer - fast - if you don't properly handle a situation.

Speaking of **email marketing again**, it is in email that we are likely to see some of the most exciting marketing innovations. Capabilities such as

instantaneous, chat-like dialogue, one-click within email ordering, and lots of rich content are going to be the next bells and whistles used to attract and interact with online audiences. Creators of this kind of email technology like StoryMail, RadicalMail and Xpedite predict embedded interactivity such as forms, surveys, and market research, all not even requiring a click-through.

## **Long Range Expectations**

Expect there to be a continuing trend towards **multi-channel marketing**. For example, online retailers having some sort of retail presence, catalogers leveraging the Web for sales, and of course, traditional retailers to continue to make in-roads and refine their use of the Web as source of new revenue.

I have a vision of entering a "sample" store, which has only one or two sets of any single item. There I get to touch it, feel it, smell it, see its true color, try it on and then walk up to a kiosk where I order it online to be shipped to my home. The retailer saves money on staff, space requirements, inventory, etc. and passes the savings along to me. The two to three days I have to wait for delivery is then really no big deal.

Also likely to affect online marketers is the viability of wireless technology. Dubbed "**mCommerce**" for mobile commerce, wireless technology is touted as the next big channel for sales. Amir Hudda, president & CEO of mobile applications company Emtera describes its potential: "It can be used to obtain store, company, or product information, in-store shopping tools like wish lists and gift registries, buyer reviews, care instructions, and even to conduct instantaneous research and request feedback."

Internet marketing is still in its naissance. It might not be the panacea that many thought it would be, but nor is it completely washed-up. To the contrary, I think smart marketers would tell you to hang on -- we're just getting started!

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