

E-COMMERCE

What's Your Strategy?

The potential rewards from selling products and services online are almost too tempting for companies to ignore. How well does Web marketing fit your business? And how do you make it work?



Underwritten by MasterCard Corporate Products

Whether your company sells mainly to consumers or other businesses, it's hard to miss the siren call of the Internet. As every financial manager knows by now, creating a direct pipeline to customers can potentially slash marketing costs, strengthen brand loyalty, expand a company's geographic presence and shorten time to market.

And there are plenty of success stories to prove it, from Amazon.com to Office Depot. The volume of e-commerce in the U.S. alone has soared from near zero to more than \$100 billion in just three years, according to Forrester Research Inc., and will probably reach \$1.3 trillion in 2003. A joint report by the Financial Executives Institute and Duke University predicts that more than half of America's mainstream companies will be hawking their products and services online by the end of next year.

Should your company be one of them? Answering that question is not as easy at

it might seem at first blush. Any company can, of course, set up shop online. The trick is doing so in a way that's compatible with your overall marketing strategy, and that can turn a profit. Many e-commerce ventures are submerged in red ink, and some will never be in the black. Why? Companies are so afraid of missing out on

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While there's no sure-fire blueprint for online success, financial managers can greatly improve the odds by asking some pointed questions:

Does our plan reflect market reality? All successful e-commerce business models

are based on giving buyers a clear benefit in terms of convenience, selection, price, service or all four. Branded products like electronics, books, clothing and airline tickets were in the online vanguard because buyers can easily compare prices and be confident that they're getting what they expect. Companies buy industrial and other supplies on the Internet to save time and reduce administrative costs. The task facing prospective e-marketers is to apply these lessons to other types of products and services.

How will it affect our brand equity? By making it easier for buyers to compare specs, price and other hard data, the Web can diminish the market premium that a strong brand can command. Smart e-businesses offset this dilution by developing interactive web sites that provide extensive product-related information, after-sales support and other services. The idea is to extend the concept of the brand to include not only a specific product or

service, but to the whole business relationship. Instead of relying solely on price to gain market share in the intensely competitive long distance market, for instance, MCI Worldcom has sought to gain a competitive edge by allowing its customers to add new phones to their accounts, change their addresses and pay their bills via credit card — all without having to speak with a customer service agent.

How will it affect our customer relationships? Shielded by retailers and distributors, many companies have little direct contact with their end-user customers and know surprisingly little about them. E-commerce breaks down distribution barriers, and an effective strategy will take advantage of this. All transactions generate data, which, if used correctly, can improve company products, services and strengthen customer ties. Even companies that avoid selling directly to end users can use Web sites to gather customer information through guest sign-in books, surveys, clubs and e-mail newsletters.

How will it affect our relationships with distributors? No matter how successful their e-commerce initiatives, online transactions will account for a small percentage of most companies' sales. Smart managers recognize that distributors and retailers are wary of attempts to circumvent the traditional distribution chain, and will go to great lengths to keep them happy. That's why companies often include existing distribution partners in their e-commerce plans — channeling online orders through them or referring potential buyers to local outlets for the final transaction. For example, the Web site of Black & Decker's Dewalt industrial tools division, has hot links to more than 120 distributors and retailers, from Ace Hardware to Home Depot.

How will it impact our global marketing strategy? Companies often position brands differently in different countries.

A premium product in England might be marketed as a value product in the U.S. The Internet, being a global medium, can undermine those regional strategies, forcing a company to re-examine its worldwide marketing plans. An e-commerce strategy must also take into account export restrictions, differing product liability laws, and varying restrictions on product claims.



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Even if a company currently limits Internet sales to its home country, it needs to take into account the fact that its Web site may be visited from customers elsewhere.

How will we process transactions? Credit cards are the online payment vehicle of choice for consumer online transactions because they're convenient, familiar and provide a high level of protection against fraud. From the seller's point of view, the transaction can be completed almost instantly and the sum deposited into its bank account within a business day.

Company credit cards such as the MasterCard Corporate Card and MasterCard Corporate Purchasing Card make business-to-business transactions just as easy, and work seamlessly with sophisticated e-purchasing systems that are being used by growing numbers of corporations. These systems let approved employees access online vendor catalogs to place orders for equipment and supplies. Purchases are charged to the card, the card issuer bills the company and forwards a wealth of data that can be fed right into the corporate customer's purchasing and accounting systems. This information includes specific vendor data, employee data and transaction data. Many vendors also supply tax information and details about their business, such as its minority supplier status, its incorporation status and its tax ID number.

How will we provide customer service? Although the main appeal of e-commerce is to cut costs by streamlining the purchasing process, customers need to know that they can quickly resolve any problems with an order or product. Online vendors typically encourage customers to submit inquiries and complaints by email, and use software that automatically responds. But smart companies also make it easy for customers to reach a support specialist by phone. New technology takes this a step further by allowing buyers to receive live support right on the company's web site. Customers of International Golf Outlet, an online retailer of clubs and other equipment, can simply click on a button to chat via text with a company representative in real time.

In the fluid, fast-changing world of e-commerce, there are no guarantees of success. But a carefully built plan can greatly improve the odds.

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