

Migrating Toward a Web-Centered Marketing Strategy: Experience From the Capital Goods Marketplace

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Introduction:

Traditionally, business-to-business (hereafter B2B) capital goods marketers have utilized a mix of print, direct mail and telemarketing media to reach B2B decision makers. However, recent studies polling B2B decision making executives on how they source product information, coupled with experiences in the capital goods market space provides sufficient evidence to suggest that the Internet has eclipsed all traditional media and is now the most powerful medium in reaching B2B decision makers with timely and relevant information (Mulcahy 2002, Schwartz 1997) The authors of this research propose a shift from an offline-media-centered marketing strategy a to web-centered marketing strategy. We propose a framework for designing efficient web-centered strategies and illustrate the advantages of a web-centered marketing strategy. We then proceed with accompanying materials on trends in marketing which support this position and point to considerations for future research.

Rationale for a Web-Centered Marketing Strategy

Increased competition, industry consolidation, and most recently, a slumped economy have pressured B2B capital goods firms to adopt a marketing strategy based more strictly on business objectives and ROI. Heretofore, not things that B2B marketers were overly concerned with. Marketing plans that included shotgun marketing campaigns in trade journals, business papers, and industry publications seemed to suffice. Recently however, the dual issues of decision maker's shift of attention away from utilizing print as an information source when researching purchasing decisions and the infusion of increasing scrutiny and discipline in B2B capital goods' marketing departments has necessitated a more efficient strategy (Tapscott 1995).

Consumer packaged goods (hereafter CPG) firms have long had such discipline in their marketing departments with such measures as gross rating points (GRP) and ad impressions (CPM). Many firms in the CPG realm are also privy to large nationwide data repositories via such large retailers as Wal*Mart, Kmart, and Target and syndicated data from industry associations and third party providers of consumer data such as Experian and Nielsen. Further, CPG firms have also implemented sophisticated analysis tools and sales technologies such as statistical modeling software and category management teams to aid their marketing teams in making accurate and effective marketing strategy decisions. In the absence of these high technology tools and massive stores of consumer data, B2B companies must employ marketing strategies that account for this deficit (Bezian-Avery, Calder, and Iacobucci 1998).

It can be excessively challenging for a B2B capital goods company to create a data-rich information driven marketing strategy that meets the business objectives and ROI goals without the aid of industry wide stores of consumer data, third party information repositories, rigorous data analysis practices, and a history of marketing intelligence, all while utilizing the same methodology employed for decades.

This paper presents a web-centered marketing solution as a possible key to sustaining competitive advantage and meeting the new requirements of customer demand management. Such a strategy is inherently data-rich, easier to manipulate, and meets the customer information search across multiple media.

A web-centered marketing strategy is one in which interactive, one-on-one communications, and interactions tied to business objectives, are at the heart of the overall marketing strategy. Such a strategy meets customer needs and provides a sustainable competitive advantage to the business. A web-centered marketing strategy employs data-rich information-gathering environment, which is especially suited to rapid decision-making and data modeling with quickly accumulating data sets (Deighton 1996).

Unlike traditional media, web-centered marketing allows for real-time collection of data on customers perceptions, attitudes, decision patterns and ultimately, purchasing habits (Day 1998, Deighton 1996). ROI is quickly calculated against pre-defined business objectives and decision makers have multiple web-enabled venues with which to communicate with the company of their choosing at any time of the day or night. The underlying principle is not that all marketing shifts over to the Internet and becomes entirely web-based, but that all communication are centered on capturing the customer interaction at a web-enabled touch point (Hoffman and Novak 1996, Zeff 1997).

Creating a Web-Centered Marketing Strategy

The rationale and discipline behind creating a web-centered marketing strategy are closely tied to other prominent strategic processes in B2B capital goods firms such as new product development, fiscal, and manufacturing planning strategies. Strategies such as new product development are managed by ROI, breakeven, and stage-gate methodologies to ensure that projects are strictly managed to timescale and budget figures. Web-centered marketing strategies can be managed to similar rigid measures and held to metrics and yardsticks much better than traditional marketing strategies.

A web-centered marketing strategy does not purport the abandonment of all traditional media that a B2B capital goods firm may have already have developed. Rather, a web-centered strategy advocates the wholesale integration of all available media and pre-existing marketing communication (Leong, Xueli, and Stanners 1998). This does not mean that significant effort can be avoided in migrating to a B2B web-centered marketing strategy. Exhibit 1 illustrates the steps necessary to create a marketing strategy that is web centered.

1. Setting Business Objectives

In devising a web-centered marketing strategy, the first element of concern is that of the governing business objectives that will drive all subsequent steps in the strategy development process. As with any properly devised marketing strategy, the needs of the business are of utmost concern and the strategy should be constructed along those lines. For example, in a B2B capital goods company the business objectives of the web-centered marketing strategy may be constructed to support the unique go-to-market strategy of the company. In this case the company uses a direct go-to-market demand generation model in the core vertical markets that it serves. Thus, the marketing strategy needed to support direct demand and lead generation as well as sales process support in the absence of dealers, which are used in the traditional go-to-market model employed by most B2B capital goods company.

In our case study the business objectives ultimately agreed upon as the guiding direction for the web-centered marketing strategy were as follows:

1. Generate leads for the direct field sales representatives
2. Retain customers through e-communications and customer extranets
3. Make it easy for customers to do business with the company
4. Convert web leads of <\$15,000 to sales via inside sales team
5. Redirect sales on low-margin products to channel partners

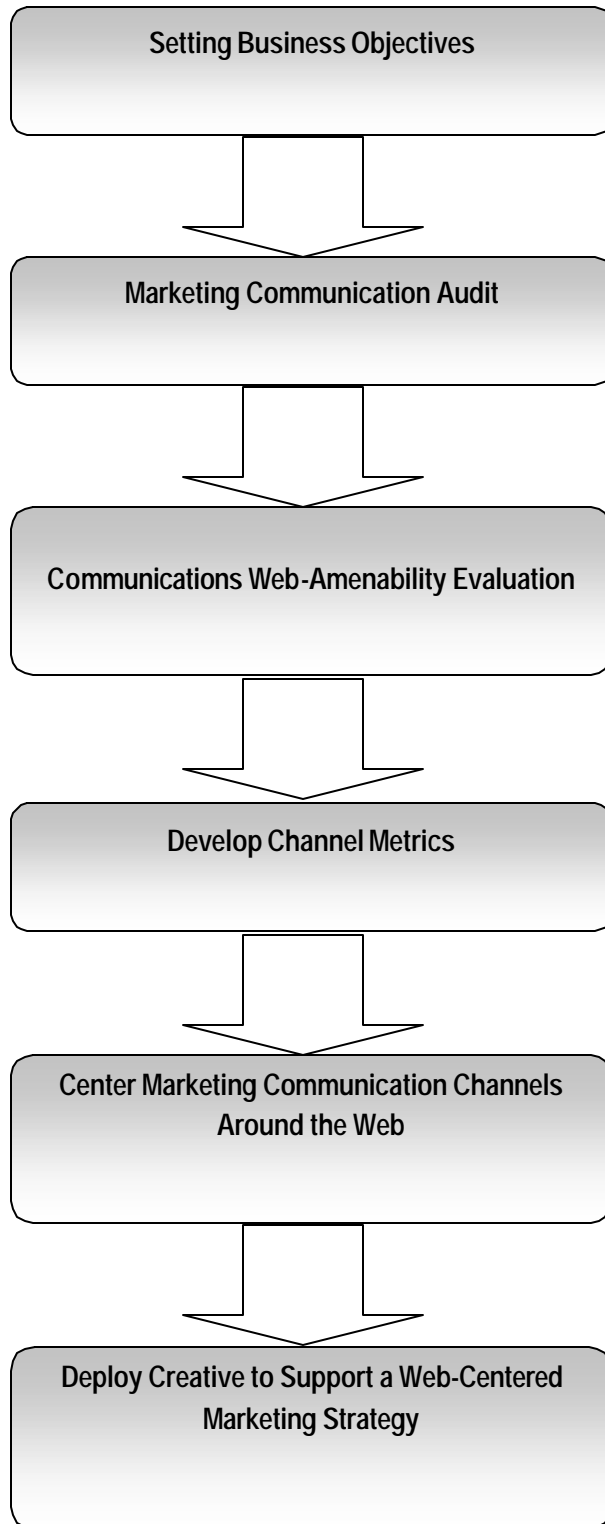


Exhibit 1

2. Marketing Communication Audit

A critical second step in the process of creating a web-centered marketing strategy is the evaluation and audit of all marketing communication channels and touch points. For the purpose of this paper, all communicational forms which can be employed in reaching a customer, will be considered communicational channels, and will be covered under the communications audit. A communications audit, in its simplest form, is an in-depth review of every piece of material that comes into contact with a customer at each and every touch point. Exhibit 2 illustrates a channel audit conducted by a B2B company in the capital goods marketplace.

In this example, the business objectives and communications audit provided a sufficiently actionable platform on which to base a web-centered marketing strategy.

3. Marketing Communication Web-Amenability Evaluation

In the next stage of the strategy creation process, each channel was measured against the following criteria, in accordance with the business objectives set forth earlier.

1. What type of channel/touch point is it? E. G., Print, multimedia, TV, Internet, physical asset?
2. Is the channel or touch point web centered? Can a measurable web-centered customer touch point track the medium in question?
3. If the channel or touch point is deemed to be non-web-centered, what steps are needed to achieve the interactivity and measurability that are mandated by a web-centered strategy.
4. What is the scope of this channel or touch point? Does it span internal customers only, a single core market, or the entire current and prospective customer base?

4. Develop Channel Metrics

Effective and illustrative metrics (measurement units) are the bedrock on which an effective web-centered marketing strategy is built (Zeff and Aronson 1997). Without the right metrics assigned and key performance indicators agreed upon, it is impossible to ascertain the effectiveness of a web-centered strategy for a particular company. Metrics must be developed in accordance with the business objectives set forth in the first step of this process. For the purpose of this paper, the metrics are few but powerful.

A. Number of leads in core markets

The number of leads generated via the various marketing campaigns is the lifeblood of the company. In order to sustain a robust sales pipeline, the number of leads garnered must remain at peak. In order to maintain the strict focus on lead generation, web-centered marketing initiatives are devised with some form of acquisition component to ensure the sufficient data is collected to utilize that customer touch point as a lead source.

B. Number of customer extranets created

In an effort to retain customers, extranets have proven to be a highly valuable, cost effective means with which to maintain the customer relationship with a minimum of effort on behalf of the company. Things such as product specifications, order status, assembly instructions, project status documents, and points of contact are available on the extranets.

C. Number of documents referenced from key areas

The number of documents referenced from key areas illustrates how customers are using the resources that have been developed for them in the interest of making the company easy to do business with. It is the vision of the company that by being the most “transparent” organization and making themselves easy to do business with, customers will associate them with best in class companies that are easy to do business with thus positively effecting sales numbers.

B2B Company Communications Audit & Marketing Recommendations

Communiqué	Type	Web-Centered	Getting to Web-Centered	Scope
Catalog pages				
Catalog packaging				
Blow in cards				
Invoices				
Purchase orders				
Voicemail - on hold message				
Email newsletter				
Follow up postcard				
Paid search placements				
Vendor site links to our website				
Brochures				
Product Pricelists				
AutoCAD Drawings				
Customer Quotes				
Sales Representatives				
Market Development Analysts				
Product samples				
Tradeshows				
Product Hang tags				
On-hold message				
Outbound e-mail tag				
Product binders & portfolios				
Banner advertisements				
Local showrooms				
Vertical market road shows				
Cyber Seminars				
Extranet web sites				
E-Newsletters				
Stationary				
Delivery trucks				
Kiosks				
Rep Training				
Direct mail				
Print ads - all vertical markets				
Search Engines				
3rd Party websites				
3 rd Party e-newsletters				
Interactive product specifications				
Shipping acknowledgements				
Interactive Press Releases				

D. Aggregate of sales closed under \$15,000

By closing low volume, and traditionally low profit sales via the Internet, the company affects a positive trend in gross profit margin by utilizing the lowest cost channel of fulfillment. As this number grows, and the inputs of this aggregate amount are analyzed, the company has shown positive trends in not only gross profits, but also overall sales in territories that have previously gone unmanaged by the direct field sales force.

E. Partner reports on lead close rate

Leads sent to partners for low profit margin items, usually in limited quantities sold to small business are traditionally turned over very quickly with sales reporting data available in a short time frame (Friedman 1999). By forming reciprocal relationships with channel partners the direct cost of sales on these items is reduced, bolstering profit margins, and data is gleaned to support analysis of other products that may be profitable in this channel relationship.

5. Center Marketing Communication Channels Around the Web

Web-centering marketing communication channels involves little more than tying all marketing communiqué, as identified and analyzed in the previous audit and analysis steps, to a measurable web touch point. The simple goal now is to capture data as required by the business objectives and web-metrics that have already been established. Using unique tracking URLs or identification codes at touchpoints can easily capture this data.

6. Deploy Creative to Support a Web-Centered Marketing Strategy

The final stage of devising and implementing a web-centered marketing strategy is the creation and deployment of marketing materials or “creative” to conform to the rigors of the Internet based marketing medium. There are several factors contributing to this reliance on media and creative (Hespos 2000):

1. The importance of placement in generating response.
2. The tendency of the departments to be well informed with regard to the state of the marketplace.
3. The trend toward relationships between media departments and technology/rich media vendors.

B2B purchasers are using the Internet to source information partly because of the speed at which information can be retrieved. It is of utmost importance that creative materials are focused, precise, and quickly capture the attention of the decision maker.

Advantages of a Web-Centered Marketing Strategy

The web-centered model for marketing strategy provides several rational advantages over traditional offline media centered strategies or on mixed media strategies with little or no web component. First, the advantage of a strategy that is ultimately permission based is attractive in that you are communicating with receptive member of a target audience which has explicitly agreed to receive marketing messages from your firm, or from firms like your due to the fact that what you have to say and sell is directly related to their particular are of purchasing jurisdiction or job function. A permission driven marketing strategy ultimately ensures that you are communicating with the most qualified audience possible (Godin 1999).

Secondly, ROI is notoriously difficult to measure in offline marketing strategies due to the lack of data capture at a customer touch point. Moreover, B2B capital goods firms do not usually have

the extensive data and information resources available to CPG firms that sell in a B2C environment to supplement that lack of customer touch point data.

A tertiary benefit is web-centered marketing strategies are easily altered and redeployed with minimal manpower based on data gathered and analyzed in the capturing of customer data as the interact in the web-based medium available. Offline media can and are usually not altered therefore redeployment gets difficult without more significant resources.

Other ancillary benefits of web-centered marketing strategies include easy transfer of print assets to the web, higher ROI on web-based marketing materials, and highly targeted and immediate communication opportunities due to the amount of customer information that is known and the immediacy of web-based communiqué.

Trends in Web-Centered Marketing and Future Considerations for Research

1. Trends in budget shifts of B2B advertising properties
 - a. Editorial resources shifted to unique web-only or web-first content development (as opposed to current model where print content is also made into web-also material)
2. Online collateral fulfillment and print on demand for B2B suppliers
 - a. B2B companies will migrate a percentage of formerly high fixed cost collateral printing and warehousing to a lower variable cost model of print on demand and customized (customer = 'market segment of one') collateral.
 - b. Customers, distributors, sales reps, and employees will fulfill collateral orders via the web.
3. Transition of paying for media in "cost per thousand impressions (CPM) to a pay-for-performance model and ultimately to a revenue-sharing, partnering, advertiser accountability model.
 - a. As B2B marketers employ web-centered marketing strategy and align with like media properties and outlets who have the requisite permissions to market desirable offers to their reader base the marketing properties will be expected to maintain a greater stake in the success of the marketing efforts of the B2B marketer to the point where marketers may not pay the media property until a customer takes a desired action on behalf of the B2B marketer (such as a purchase, offer signup, newsletter subscription, or any information acquiring transaction for that matter – where the B2B marketer stands to increase their opportunity of doing business with the prospect or customer).

Concluding Remarks

In conclusion, the shift from a traditional marketing strategy to a web-centered marketing strategy for a B2B capital goods firm is not of revolution but of evolution. As marketing budgets tighten, solid ROI on marketing is mandated and marketers held accountable for marketing strategy, and decision makers migrate to utilizing the web as their primary information resource, a web-centered marketing strategy is a logical next step for B2B firms seeking to gain and maintain a competitive advantage.

Appendix/Glossary of Terms

1. Acronyms and other terminology used in this document. (Stevens 2001)

- a. Webinar – An Internet based seminar where the visual content (PowerPoint slides, pictures, movies, live presenters, etc) is delivered over an Internet Connection through a web browser and the audio portion of the seminar is delivered via phone call. The participants listen in to the call, and may interact with the presenter(s) via Internet chat or conversation on the phone line/conference pool
- b. Acquisition component: An element of a marketing communiqué that allows for the customer to interact with a marketing entity with the express purpose of affording the seller enough information to further the business relationship.
- c. Extranet: A private, password protected, business-to-business web site that allows one party to provide information to a select group of people, usually customers or business partners.
- d. Banner Ad: An advertisement on a website usually run at the top of a web page.
- e. Pay-for-Performance Advertising: An advertising vehicle costing model where the advertiser only pays only for instances of performance generated by the ad, such as a click, purchase, lead, etc.
- f. CPM: Cost per thousand. M, the Roman numeral, has been used for years as a convenient media unit.
- g. CPC: Cost per click. Advertiser pays when a visitor clicks on the ad and is taken to his website or splash page. The advertiser attempts to sell him on the spot, or retain the relationship for later conversion.
- h. CPA: Cost per action. Whatever the action desired by the advertiser, such as asking for a catalog, getting a free sample, filling out an order form, or signing up for a credit card. The advertiser pays for the number of actions generated.
- i. CPL: Cost per lead. A variation on CPA, when the action desired is short of a sale.
- j. CPS: Cost per sale. Another variation on CPA, when the action is a transaction.
- k. CPO: Cost per order. Another variation on CPA, when the action is a transaction.
- l. PI: Per inquiry, a mail-order term for pay for performance, when the advertiser pays only for the leads, or sales, or inquiries, generated through the media.
- m. Hybrid PFP: A combo deal, where the advertiser pays a minimal CPM and supplements it with a bonus per action. Estimated by Forrester as comprising 23% of media spending today, and moving to 31% by 2003.
- n. Touch point: A point at which a customer interfaces with a company and customer data is captured.

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